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CREDIT FOR AGRICULTURE PRODUCERS PROJECT (CAP)

QUARTERLY REPORT

APRIL 1, 2017 – JUNE 30, 2017 (Q3 FY17)

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Project Technical Sheet

General Information	
Project Title	Credit for Agriculture Producers (CAP) Project
Assistance Objective	Further develop Ukraine's CU sector
Program Area(s)	Finance, agriculture, economic development
Prime	Volunteers for Economic Growth Alliance (VEGA)
Implementer (Sub-awardee)	Worldwide Foundation/World Council of Credit Unions
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The Credit for Agriculture Producers (CAP) Project is a four-year project (2016-2020) funded by USAID that will be implemented by World Council of Credit Unions (WOCCU) with oversight and technical assistance from Volunteers for Economic Growth Alliance (VEGA). The purpose of the project is to strengthen the Credit Union (CU) sector in Ukraine to improve the quality of the financial services and products offered to farmers and agribusinesses in rural areas in Ukraine.

The CAP Project will support broad-based resilient economic development through a multi-faceted approach to further develop Ukraine's CU sector. In order to achieve its objectives, the CAP Project, with support of international, CU experts and volunteers, will work closely with the National Commission for State Regulation of Financial Services Markets (NCSRFSM), the current regulator of the CU sector and the two national CU associations: the All-Ukrainian Credit Union Association (AUCUA) and the Ukrainian National Association of Savings and Credit Unions (UNASCU).

Over the life of the project, CAP aims to meet the following key objectives:

1. *A legal and regulatory environment which respects cooperative principles, encourages meeting of prudential norms and enables CUs to compete on a level playing field with other financial institutions.*

2. *The two national CU associations collaborate to develop and implement policies that contribute to strengthening CU performance and expand services to meet the evolving needs of their membership.*
3. *The two national CU associations develop and deliver services to their members that meet member needs while contributing to the long-term financial strength of the associations and their member CUs.*
4. *CUs expand their agricultural and associated agribusiness loan portfolios while meeting member needs for timely, economic loans.*
5. *CUs both mobilize savings and demonstrate the financial soundness necessary to overcome liquidity constraints.*
6. *Support implementation of the existing eight year USAID DCA LPG through technical assistance to the five DCA partner CUs to utilize the guarantee, report on progress, and promote its results and lessons learned among other CUs of Ukraine.*

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Acronyms

AGLWG	Agriculture Lending Working Group of CUs
ARDS	USAID Agriculture and Rural Development Support Project
AUCUA	All Ukrainian Credit Union Association
CFPB	Committee on Financial Policy and Banking of Verkhovna Rada of Ukraine (the Parliament of Ukraine) – <i>also referred to as FBAC</i>
CMS	Credit Management System (DCA)
CRD IV	Capital Requirement Directive IV
CU	Credit Union
CAP	Credit for Agriculture Producers Project
CUNA	Credit Union National Association (USA)
DCA	Development Credit Authority
DGF	Deposit Guarantee Fund
DOBRE	Decentralization Offering Better Results And Efficiency
EBRD	European Bank for Reconstruction and Development
EU	European Union
FBAC	Committee on Financial Policy and Banking of Verkhovna Rada of Ukraine (the Parliament of Ukraine) – <i>also referred to as CFPB</i>
FST	USAID Financial Sector Transformation Project
FY	Fiscal Year
GDIP	Directorate General for Rendering Services to Diplomatic Missions
GWLN	Global Women’s Leadership Network
H1	Half Year 1 (for DCA reporting)
HKVD	CU Kharkiv Kasa Vzeyemodopomohy
LPG	Loan Portfolio Guarantee
MSME	Micro-, small- and medium enterprise
NACSCU	National Association of Savings and Credit Unions in Poland
NBFI	Non-Bank Financial Institution
NBU	National Bank of Ukraine
NCSRFSM	National Commission for State Regulation of Financial Services Markets
Oikocredit	Oikocredit EDCS U.A. (in Ukraine)
PUM	PUM Netherlands Senior Experts
SME	Small and Medium Sized Enterprise
SPA	Senior Policy Advisor CAP
SSCU	Strategia and Sviluppo Consultants Ukraine

TA	Technical Assistance
TOT	Training of Trainers
UHBDP	Ukraine Horticulture Business Development Project
UNASCU	Ukrainian National Association of Savings and Credit Unions
VEGA	Volunteers for Economic Growth Alliance
VVRS	Volunteer Value Reporting System
WF	Worldwide Foundation
WOCCU	World Council of Credit Unions

1. Executive Summary

The CAP Project's goal is to improve access to agricultural credit via credit unions (CUs) by improving their legal and regulatory framework, strengthening the national CU associations and building the capacity of CUs to better serve their members and offer tailored services to meet their members' needs. The project has six interwoven objectives as laid out in the Project Technical sheet above and seeks to achieve them by working simultaneously with regulators and policymakers on one hand, and market representatives, the national CU associations and selected CUs, on the other hand.

During Q3 2017, the CAP team made noteworthy progress toward its long-term goals and activities per the approved Implementation Plan for this fiscal year. Most prominently, the CAP team officially launched the project on April 5, 2017. The launch was strategically organized as joint event with the Committee on Financial Policy and Banking (also known as CFPB or FBAC), which is responsible for registering the draft CU law "On Credit Unions" (referred to going forward as the draft CU law) to present the CAP project to all stakeholders, including the Committee and members of parliament, and simultaneously present the new draft CU law.

Discussion on the law and an interview later given by the Chairman of FBAC confirmed strong support for improving the CU legal framework to strengthen and grow the sector. Following the well attended event, on April 21, 2017 the draft CU law was officially registered at Parliament. In the coming months, FBAC will collect official comments and opinions on the draft and submit it for the first reading in Parliament.

Simultaneously, the project made important advancements on all remaining objectives and initiated agricultural lending capacity building activities with support of the PUM Senior Experts. The program continued building the capacity of both partner national CU associations through joint work across the project objectives. Progress was also made in modifications of Objective 6 (support for DCA implementation) and collaboration with Oikocredit EDCS U.A. in Ukraine (referred to as Oikocredit going forward), which will be concluded by the end of FY 2017.

Key milestones of Q3 included:

- Official project launch on April 5th and a successful joint event with FBAC, building support for the draft CU law and its registration;
- Registration of the draft CU law No:6405 at the Verkhovna Rada (the Parliament of Ukraine);
- Roundtable on Taxation carried out by Credit Union National Association's (CUNA's)¹ Chief Advocacy Officer (volunteer) was well attended by representatives

¹ CUNA is the largest national trade association in the United States serving America's credit unions. The not-for-profit trade group is governed by volunteer directors who are elected by their credit union peers from across the nation. With its network of affiliated state credit union associations, CUNA serves America's nearly 7,000 credit unions, which are owned by more than 100 million consumer members.

of the Ministry of Finance, the Secretariat of the Cabinet of Ministries, the national CU associations (UNASCU and AUCUA) as well as NCSRFSM (referred to going forward as the Regulator) and USAID Financial Sector Transformation Project (FST) project;

- Overviews of European models and practices for CU regulation were delivered to the Regulator through various presentations and trainings;
- Grassroots advocacy training completed for the national CU associations and selected CUs to build capacities and common ground for joint advocacy efforts;
- Initiation of strategic planning for both national CU associations with support of volunteers from the Irish League of Credit Unions Foundation (ILCUF) and Ukrainian Federal Credit Union (US-based Ukrainian Diaspora CU);
- Two initial training events organized for the Agricultural Lending Working Group of 11 selected CUs - one in Kyiv and one in Stryj, Lviv Oblast;
- Proposal for re-structuring of DCA in Ukraine developed jointly with USAID. The proposal calls for replacing the terminated DCA LPG facility for the five CUs with another DCA LPG to guarantee Oikocredit transactions to selected and qualified CUs for on-lending to agribusiness producers under CAP umbrella's TA assistance program.

The sections below describe in more detail consecutive steps undertaken to reach the abovementioned milestones during the quarter.

2. Progress against Work Plan

The CAP Project has six interwoven objectives. The following sections lay out activities and specific tasks carried out in Q3 FY17 to achieve the expected results presented in the CAP Project Implementation Plan for year 1 (Q4 FY16/FY17) and in the CAP Project Monitoring and Evaluation Plan.

Objective 1: Improving the enabling environment for CU operations in Ukraine.

Objective 1 is a complex and multi-layered component of the CAP project and comprises several, equally important and intertwined components. The following section outlines elements of objective 1 and results achieved against the planned activities.

Enabling Environment

Raising awareness and structured advocacy activities related to the enabling environment will remain high priorities for CAP until the new draft CU law is passed and the reform of the CU sector is completed.

During Q3, activities focused on engaging support for the draft CU law jointly with the partner national

Objective 1: Results achieved in current quarter (Q3 FY17):

- CAP Project officially launched at joint event with FBAC on April 5th
- The draft CU law registered under number #6405 at the Parliament (Verkhovna Rada) on April 21st
- Roundtable on CU taxation conducted on May 31st to support not-for-profit status of CUs in Ukraine

CU associations to build a coalition of champion members of Parliament and members of FBAC. Last minute consultations and amendments, to satisfy the needs of all market stakeholders were facilitated, leading to the registration of the law later in April. In addition to minor language edits, on April 12th the stakeholders agreed to eliminate, from the draft CU law, direct norms related to a "no-licensing" option for CU operations as institutionalization of such norms would require introduction of amendments to numerous legal acts and regulations that are still applicable, and consequently updates of regulatory norms and proceedings.

Meetings were organized in Q3 with the Regulator to discuss allowing CUs to serve legal persons. Examples of credit unions serving legal persons from European constituencies (Poland, Ireland, UK, Moldova) as well as globally from US, Canada and Australia were shared (see "Regulatory Capacity" section below for more details).

Additional advocacy was carried out aimed at assuring support for key strategic areas for the CU sector including growth-conducive taxation and inclusion of CU deposits under the state Deposit Guarantee Fund (DGF). Meetings were held with the Ministry of Finance, the Secretariat of the Cabinet of Ministers, the National Bank Ukraine (NBU) as well as the Regulator to assure equal access to key knowledge for all involved players.

Most critically, on May 31st as part of its advocacy and best practices sharing workshops, CAP orchestrated a high-level **Taxation Roundtable** for Ukrainian policymakers, stakeholders and representatives of the CU market. The event, held in Kyiv's Chamber of Commerce and Industry, was chaired by the COP and led by CUNA's Chief Advocacy Officer from the United States (as a volunteer) who is responsible for the development and implementation of CUNA's legislative, regulatory and state government advocacy efforts. The event was attended by high ranking representatives from the Regulator, the NBU, Ministry of Finance, national CU associations, partner USAID FST Project, as well as experts representing Irish and Polish Credit Union Associations. The volunteer reviewed the US CU system underlining the most recent trends in CU evolution, post financial crisis recovery and growth, deposit protection system, and the role and position of American CUs in the financial market.

During his presentation, the US expert volunteer elaborated on the origins and rationale behind the not-for-profit and tax-exempt status of CUs in the US by the US Congress since the mid-1930s. This best practice of enabling tax policy was supported by similar examples from other CU jurisdictions such as the Republic of Ireland, UK and Moldova. As follow up, discussions focused on the Ukrainian CUs and their taxation status, which draws a fine line between not-for-profit aspects of CU operations vs. other non-profit activities of CUs and other organizations.

These discussions enabled consensus building and understanding among stakeholders on the need for growth-conducive and transparent taxation for CUs in Ukraine given their stage of development and operational challenges. Discussions also provided a structure for

stakeholders to advocate more effectively with the Regulator and policymakers as the draft CU law is being proposed for first reading. The taxation roundtable will certainly positively impact the upcoming discussions at the Verkhovna Rada on the new draft CU law and ongoing debates on taxation for CUs as important not-for-profit institutions within the Ukrainian financial market.

Registration of the draft CU law at the Parliament following the official project launch



The **official CAP launch** took place on April 5th through a joint event with FBAC to strategically coincide with the regularly scheduled FBAC meeting to ensure broad participation on the governmental level and to garner sufficient support for the draft CU law at the Parliamentary level. In addition to FBAC representatives, representatives joined from USAID, NCSRFSM (including the Governor), NBU, Secretariat of the Cabinet of Ministers, Ministry of Finance,

Parliament, the national CU Associations and the USAID FST project. Key note speakers, including among others the Governor of the Regulator, FBAC Chair and several FBAC Members of Parliament, emphasized the critical role that CUs play in the provision of financial services and education in remote rural areas. Discussions were held on the draft CU law among stakeholders and FBAC members, which intended to register the law following the launch.

Within two weeks and after cosmetic changes to the draft, the new version of the **draft CU law “On Credit Unions”** was registered with the Parliament on Friday, April 21st under No: 6504. Approval of the new draft law in its current version, would lead to introducing an efficient and transparent supervision mechanism for distressed CUs and withdrawal of insolvent CUs from the market. Other proposed changes included new definitions of the membership bond, definition of CUs’ property, and updated reorganization, liquidation and rehabilitation procedures. Innovations to the draft CU law are aimed at improving the regulatory environment for the accelerated development of the CU market in Ukraine and to create conditions and efficient opportunities to expand small and medium-sized producers’ access to financial resources directly and through farmer cooperatives.

Since the April 21st registration, the draft CU law has been disseminated to relevant government agencies seeking official opinions and recommendations for further improvements prior to 1st reading. In May-June 2017, official positions were submitted to FBAC and the Regulator from the DGF, Ministry of Justice, Ministry of Finance, Ministry of Economic Development and Trade, and NBU.

Once the review process is completed, FBAC will consider the draft CU law to be officially added to the Parliament schedule for first reading anticipated for Q4 FY17. It is expected that no changes will be made to the registered draft prior to the first reading, rather the opinions submitted by stakeholders will be addressed prior to the second reading by a working group formed after the first reading.

While CAP is not an official player in the lawmaking process in Ukraine, the project is expected to actively participate in the working group as an international expert to advocate for change and augment best practices in Ukrainian CU legislation. CAP will continue to work closely with the national CU associations and the Regulator to provide consultation on specific elements of the draft CU law and further clarifications, as requested.

Regulator Capacity

The CAP project continues to work closely with the Regulator to build their regulator capacity following a joint work plan for 2017 that was signed during Q2 detailing work for 2017 (calendar year) within the framework of the Memorandum on Cooperation between the Regulator and the CAP Project signed in November 2016.

In Q3, key TA activities targeting the Regulator in addition to the **Taxation Roundtable** mentioned above, were as follows:

- **“Future of Credit Union services in Ukraine – Polish example”** CAP Senior Policy Adviser and representative of the Polish CU League carried out a workshop on April 3rd with the Regulator to introduce the Polish CU system and discuss to date experiences and recommendations for the Ukrainian CUs. The presentation generated interactive discussions on the menu of services allowable by CUs in Ukraine and Poland, licensing aspects of the additional service provision, and access of the CUs to state payment and settlement system and existing payment infrastructure, among others.
- **“Credit Unions’ System in the Republic of Moldova”** – During last week of June, CAP hosted the Director of General Department of Collective Investment and Microfinance of National Commission for Financial Markets of Moldova (volunteer), who visited Kiev to discuss aspects of CU regulation in light of the EU accession with the Regulator as well as with NBU representatives during a separate event in anticipation of the Regulator transition and given the NBU role in the EU approximation process in Ukraine regarding the financial sector.

The Director gave an overview of the CU system in the Republic of Moldova and outlined the process of successful exemption from the EU’s Capital Requirement Directive IV (CRD IV)² that was received recently for CUs in the Republic of Moldova and which remains critical for Ukraine’s approximation process. The

² CRD IV is Directive 2013/36/EU and Regulation 575/2013. Lack of exemption from this EUR 5 million capital requirement for CUs would be devastating to the sector since not a single CU in Ukraine would be able to comply. This is not an isolated case, similar exemptions were obtained for CU sectors in Poland, Ireland, and U.K. to name just a few.

presentation was needed and valuable for the NBU and the Regulator as the whole financial sector in Ukraine needs consistent policy to overcome weaknesses and create favorable environment for credit institutions. Other topics included income tax exemption, membership of legal entities membership and prudential norms for CU oversight.

In anticipation of the transition of the CU regulator from NCSRFSM to NBU, CAP remains in close relationship with the NBU SPLIT group³ and USAID FST project, that provides TA to NBU, and when possible provides workshops and technical consultations on CU related regulatory subjects. NBU, FST and CAP discussed jointly NBU's training needs. The presentation of the Moldovan Regulator was first in a series of the training events planned for the NBU in upcoming quarters.

European Union (EU) Standardization

As Ukraine aspires for EU accession, it is of critical importance for all stakeholders (the market, the current Regulator, NBU, and others) to have access to information on all relevant EU directives and regulations that pertain directly or indirectly to the CU sector as well as to experts to provide recommendation and advice on how to implement them. Ukraine as a candidate country to join the EU must align its national laws, rules, and procedures to those of the EU.

As the approximation process for Ukraine is already on-going, CAP continues its informational "campaign" to ensure all actors in the Ukrainian government involved in implementation of the EU banking directives have access to first-hand information about all relevant directives that pertain to CUs (directly or indirectly) and consequently, are well-equipped to protect the interests of the CU sector in Ukraine in Brussels.

For this reason, during Q3 CAP hosted several meetings and workshops to educate relevant parties and share experiences. On May 30th, representatives of SPLIT group at NBU participated in a **coordination meeting** hosted by FST and facilitated by CAP's Senior Policy Advisor, representing the Polish credit union association, NACSCU.

The aim of the meeting was to inform NBU and the FST team on the newest developments in Brussels regarding CU sector regulations in the EU countries. As Ukraine, and NBU are in the midst of approximation process, it is critical that first-hand information from Brussels is shared in a timely manner to guide steps of the accession process, namely adoption of banking directives and seeking exemption from the CRD IV directive for Ukrainian Credit Unions.

Recent meetings in Brussels, between representatives of WOCCU and representatives of European CU movements, including Ukraine, reiterated the importance of exclusion of CUs

³ SPLIT Group is the team of NBU experts formed to support transition of the Regulator of the credit union regulatory functions from NCSRFSM to NBU should the appropriate "SPLIT" law be passed.

from the mandatory capital requirement of 5 million EURO introduced by the CRD IV directive. Similar information was conveyed during a regular meeting between CAP and the Regulator and also in a meeting with the Council of Ministers to alert the Government to take action on assuring an appropriate exemption for CUs through accelerating dialogue with European Commission in Brussels.

As a next natural step in the process, as noted above in the “Regulatory Capacity” section, CAP facilitated relationships between NBU, the Regulator, and the Regulator from Moldova, which had recently received exclusion for their CU movement from the directive in question and provided step-by-step guidance for the Ukrainian government. Both Moldova and Ukraine are post-soviet states which are on the path to European integration and face the similar challenges.

Collaboration with USAID and other TA projects

CAP established working relationships with other USAID Projects in Ukraine that also cover financial market reform, agricultural and rural development, and decentralization, seeking to maximize the effectiveness of CAP operations and leverage available resources and capacities. CAP staff is in regular contact with USAID FST, Decentralization Offering Better Results and Efficiency (DOBRE) and Agriculture and Rural Development Support Project (ARDS) projects, as well as the Canadian-MEDA (Mennonite Economic Development Associates) Ukraine Horticulture Business Development Project (UHBDP) to ensure coordination and the flow of information.

Starting in April 2017, CAP initiated regular coordination discussions with FST with respect to CU development and proposed regular exchanges of quarterly reports for proper information flowing among both teams. Additionally, following discussions on the draft CU law with FST specialists, in April 2017 CAP shared the draft CU law with FST to provide their opinion on the draft CU law content and its compliance to the sector needs. CAP also provided FST with a pool of CU experts and jointly discussed NBU needs for CU regulatory knowledge and expertise. Per FST’s request, CAP facilitated connections between FST and WOCCU-affiliated senior experts to address NBU needs in financial sector transformation, including participation in workshops on EU directives and the regulatory environment in Moldova. Discussions were also held on collaborating on lobbying for the inclusion of CUs into the Deposit Guarantee Fund as well as joint work to spread financial literacy among vulnerable groups.

Furthermore, In June 2017, FST took NBU’s banking specialists on study tour of selected Ukrainian CUs to learn about CU practices and specific operations. The tour included visits to two CAP partner credit unions—CU Vygoda (Striy, Lvivska oblast) and CU Anisia (Lviv). Among others, the importance and value of technical assistance (TA) provided by CAP to credit unions was stressed.

Over the quarter, CAP and FST agreed to join efforts to support CUs as a part of the government work to transform the NBF sector. This may include coordinating training programs for NBU as the anticipated new regulator for CUs and lobbying the inclusion of

CUs into Deposit Guarantee Fund. Coordination of joint work to spread financial literacy among vulnerable groups were also explored.

Collaboration with UHBDP and ARDS in Q3 is described below under Objective 4 activities.

Key Challenges

The two main challenges that the project will continue to face, as previously reported, include the uncertainty of the political process and a potential lack of political will to proceed with certain aspects of the registered draft CU law. In addition, there is the limited capacity of the Regulator to manage expanded activities of CUs stipulated in the draft CU law once approved. To ease the potential hurdles, some legal stipulations of the draft CU law include a temporary compromise to account for the Regulator's limited capacity to supervise CU's lending to legal persons (specifically cooperatives), as permitted in the draft CU law.

As the uncertainty surrounds the future of the SPLIT law and NBU as the potential new regulator, it will also remain a challenge for CAP to plan its long-term activities and ensure sufficient flexibility to adjust to the new environment, if and when transition of the CU regulator becomes a reality. To ease these challenges, CAP works closely with the USAID FST project as well as its beneficiary NBU to build the capacity of NBU in regulating and preparing NBU for the transition should the SPLIT reform be successful.

Objective 2: The national CU associations collaborate to support policy and legal change for the CU sector.

Under Objective 2, the project continues working to create a common platform for communication and coordination of efforts among the two national CU associations and to build their capacities to effectively advocate in front of the Regulator and policymakers. CAP's efforts to maintain regular communication with both CU associations while ensuring equal treatment of both associations in spite of their differences and unique historical backgrounds, has already yielded results in the form of joint initiatives, streamlined communication and closer collaboration. The finalized and registered draft CU law is one example of the highly inclusive joint work of the associations under CAP leadership.

Advocacy Training

In preparation for the anticipated need for increased advocacy following the draft CU law registration and its first reading (currently expected by the end of 2017), CAP began focusing TA in Q3 on strengthening advocacy skills of the associations.

Objective 2: Results Achieved in the current quarter (Q3 FY17):

- Joint submission of the summary letter to the Council aligned with the Parliament on absence of corruptive elements in the draft CU law
- Joint advocacy on the not-for-profit status of CUs to promote a light tax regime.



Seminar on advocacy

On June 1st, top management of the national CU associations and selected CUs that play an active role in grassroots advocacy participated in a **Workshop on Advocacy** led by Chief Advocacy Officer of CUNA. The objective of this inclusive and well attended workshop was to expose the Ukrainian national CU associations and CUs to advocacy principles, and lobbying strategies and techniques used by American CUs, their associations and individual CU members to create a more favorable operating environment for CUs to serve their members with a focus on reducing regulatory burden and expansion of CU powers and opportunities.

The presentation provoked intense discussion on applying the American lobbying practices within the Ukrainian political landscape and the current domestic lobbying practices targeting policymakers in Ukraine. While adaptations will need to be made, the advocacy tools were perceived as needed and relevant to the current political environment in the country. Following the workshop, both UNASCU and AUCUA conducted webinars for their CU members to share the newly acquired information and introduce them to principles of grass roots advocacy.

Quarterly Meetings & Joint Initiatives

As of Q3, the quarterly meetings of CAP and the national CU associations were well established, on schedule and participants were demonstrating ownership and engagement. Solid coordinating mechanisms are also in place safeguarding efficiency and effectiveness of joint activities. During the June 22nd Q3 quarterly meeting the associations reported on Q3 progress and planned for Q4. Specifically, the following topics were discussed:

- **On-going support of the draft CU law** – associations discussed the consultation process initiated by FBAC and proposed actions to build support at the Parliamentary level. Summaries of the opinions and feedback on the law are being collected, shared and analyzed as they become available to CAP and the associations. During Q4, CAP will provide a position paper response to the main draft CU law concerns and jointly with UNASCU and AUCUA strategize on the appropriate response to the official concerns;
- **Implementation of the law “On consumer Lending” (No:1734)** – as the new law became in effect on June 10, 2017, associations took actions to monitor its impact on CU operations, identify potential negative impacts (if any) and jointly develop plans to mitigate those impacts;
- **Non-profit status of Ukrainian CUs** – associations proposed continuation of advocacy efforts to maintain non-profit status of CUs in Ukraine, building on the information learned during the taxation roundtable (May 30th) and new arguments provided during the roundtable based on the US case; and
- **New regulations for CUs** – meeting participants discussed specifics of several new draft laws and regulations proposed by the Regulator that concern CU operations once passed, including the following:

- “On Approval of Methodological Recommendations of Assessment of Borrowers’ Creditworthiness;”
 - “On Approval of Requirements for Credit Intermediaries and their Activities in the field of Consumer Lending in the Market of Non-Bank Financial Institutions;” and
 - “On Approval of the Methodology for Calculation of Total Loan Cost for a Consumer, and Real Annual Interest Rate under the Consumer Loan Agreement;” and
- **Dissemination of information** – during Q3, both associations designed and posted information on their cooperation with CAP and each other on their official websites. The latest news on joint events, results of cooperation with CAP, and upcoming events are being published on a regular basis.

In addition, on June 19th, the associations submitted a joint summary letter confirming that there is an absence of corruptive or leading to corruption elements in the registered draft CU law to the Council on Public Expertise at the Parliamentarian Committee on Corruption Prevention and Counteraction as per its request. This is a standard procedure for all draft laws to be reviewed in light of potential corruption elements. The letter will form the foundation, jointly with opinions of other stakeholders, for the Council’s legal opinion on the same topic. The opinion will be submitted to FBAC and enclosed in the Committee’s documentation supporting pre-first reading proceedings at the Committee and Parliament.

Seconded Staff of the national CU associations

On May 10th, two seconded staff of the national CU associations – one from each – began their regular work in CAP office. While the seconded staff remain full-time employees of their respective associations, they will become a cohesive part of the CAP team for the duration of the project. The two new staff will work four days a week at the CAP office and one day back at their home office to promote transparency and information flow to and from the associations.

During the month onboarding meetings were held for the seconded staff under supervision of the DCOP to ensure a better understanding of CAP project, its objectives and plans, in particular under Objectives 1, 2 and 3. The primary responsibilities of the seconded personnel include, among others:

- communication between CAP, the associations and Agricultural Lending Working Group (AGLWG);
- maintaining information on CAP on the associations’ web-sites;
- provision of administrative and technical support to volunteer missions for strategic planning in the associations;
- facilitating quarterly meetings with the associations and designing supporting documents;
- drafting reports to the Regulator regarding association activities as required;
- reporting and planning activities of the associations under sub-award agreements.

Within the next three years, the seconded persons will train and learn alongside the qualified CAP team, participate in events as well as travel to selected partner CUs, all in order to build sectoral and institutional knowledge. The intention is for the seconded staff to transfer the knowledge and acquired skills back to their home offices upon completion of the project to ensure continuity of project work where possible.

Key Challenges

Presence of two national CU associations in Ukraine, albeit not unique to just the Ukrainian context, presents challenges when it comes to coordination of efforts and joint initiatives and representing the CU sector – many other countries including US face this challenge. The project continues to work with both associations to alleviate communication bottlenecks. The regular quarterly meetings as well as the presence of seconded staff in CAP office have shown a positive change.

Another challenge is the low level of international technical development and project experience in seconded staff from the CU associations, which is not unusual among the workforce in Ukraine. To overcome this challenge, CAP specialists provide one-on-one training to seconded staff and include them in team training, events and meetings, in order to help them develop new skills and adjust to the new work environment.

Objective 3: National CU associations offer improved services to CUs.

In Q3, the reports from the diagnostics carried out on the associations in Q2 were finalized and shared with the associations. The diagnostic reports laid the foundation for strategic planning with the associations which was initiated in Q3 (and continuing through Q1 FY18) and is informing TA assistance provided to the associations under the CAP project.

In addition, an abbreviated version of the diagnostic reports were shared with the Regulator, who remains interested in the associations' capacities to regulate and oversee their CU members. It is important to note that it is anticipated that the new CU law, once passed, will call for an increased supervisory role of the associations.

Objective 3: Results Achieved in current quarter (Q3 FY17):

- Strategic Planning initiated and planning missions completed
- Survey on CU services completed by CAP team

Strategic Planning

In May, CAP welcomed a volunteer expert Technical Adviser from ILCUF to conduct a two week mission to work with UNASCU to begin the process of strategic planning for the association that will be finalized in the fall. The strategic plan covering three years – once finalized - will focus on initiatives to promote the stable growth and development of UNASCU and improve services to members with a special focus on agrilending related services.

Baseline data on service portfolio quality and perspectives for expansion will be used for monitoring of progress made by UNASCU in service provision to CUs.

Similarly, a team of volunteers from the Ukrainian Federal Credit Union (US-based Ukrainian Diaspora CU) traveled to Ukraine to work with AUCUA on strategic planning at the end of Q3, and into the beginning of Q4.

CAP chose to use two separate teams to work with each of the associations to ensure confidentiality of information, while preserving continuity and cohesion of activities. The two teams of experts are collaborating on tools and methodologies for strategic planning to ensure coordination in the approach and support provided to the two Ukrainian CU associations. The draft plans are expected to be released for CAP's and WOCCU's review by October 2017.

Survey of services provided to CU by associations and changing needs

To support the strategic planning process, CAP conducted a brief electronic survey on current services offered to CUs by UNASCU and AUCUA. Between May 16th and 19th, CAP e-mailed a short questionnaire via associations to all active members and received 65 responses (39 UNASCU members and 26 AUCUA members).

The survey focused on current use of services and their usefulness for CUs; level of member satisfaction with the service offerings and their quality; and potential new and modern services needed by CUs. The results confirmed that many CUs are indeed active users of their respective association's services. As shown in Annex 1, the most common service is individual and tailored support to CUs provided on case-by-case basis, followed by compliance, reporting and analysis templates and assistance in complying with financial standards. CUs also appreciate associations' active role in advocacy at both the local and national levels. Networking and access to the best practices knowledge are also highly valued and demanded by members seeking new opportunities - potential partners, investors and access to information.

Key Challenges

The political and regulatory environment for CUs and their associations in Ukraine remains rather uncertain and in many aspects problematic. Legislative processes tend to be cumbersome and at the same time contradictory laws and ad-hoc last-minute amendments are adopted, making the long-term strategic planning process very difficult. Given the uncertainties surrounding the CU legal and regulatory environment, in particular adoption of the CU law, associations continue to face difficulties with planning and adjusting to an ever changing environment in attempts to stay relevant. It is expected that the strategic plans when complete will have to be flexible and rather high level, to allow for adjustments and deviations if and when required.

With limited staffing capacity of the associations, strategic planning must be carefully paced throughout the remaining months of 2017 not to overstretch existing capacities and at the same time to ensure association buy-in through a fully participatory process. Putting

associations in the driver seat, while ensuring technical support from CAP and partner constituencies from Ireland and the U.S. remains critical.

Objective 4: CUs expand their agriculture finance portfolio.

Under this objective, CAP in collaboration with PUM Netherlands is working with a selected group of CUs to increase their capacity to increase agricultural lending. Annually, additional CUs that are interested and qualify will be added to the group and non-performing or inactive CUs will be gradually excluded from the group to ensure high performance and dedication across the group. Moving forward, the group will be known as the Agricultural Lending Working Group (AGLWG).

Engagement of PUM – Agricultural lending expansion strategy⁴ step 3 (TA design)

During Q3, two missions were conducted by PUM volunteer experts to advance the work of AGLWG initiated in Q2: (1) to conduct individual assessments of the CU members of the AGLWG and (2) to design a training program for the CU aiming to build capacities of individual CUs to expand agricultural lending.

A due diligence mission took place in April in seven oblasts of the country and was carried out concurrently by two teams of one PUM volunteer expert and one CAP expert, in addition to a translator. Over a period of almost two weeks, experts made on-site visits to 10 CUs⁵, conducting a comprehensive analysis of governance, operations, lending procedures and financial soundness of each CU accordingly. The diagnostic mission resulted in a report and comprehensive set of recommendations to inform the design and training program schedule for the CUs.

Objective 4: Results Achieved in current quarter (Q3 FY17):

- Initiation of the CAP Agrilending Working Group of 11 CUs
- Completion of individual diagnostics of 11 CU members of AGLWG
- Introduction of a new online tool “AgriAnalytica” to CUs to assess creditworthiness of small agricultural borrowers based on their cash flow analysis



Due diligence meeting in a CU with PUM and CAP team

Overall, AGLWG is a very diverse group of CUs that differ greatly from each other with respect to their technical and operational competences, level of professionalism and overall capacity. At the same time, all CUs share joint interest to expanding agri-lending and have similar core training needs. Those overarching needs include: strengthening risk and liquidity management, installing efficient management tools for organizational planning and internal controls, insufficient knowledge of best practices in

⁴ Expansion process: (1) selection, (2) baseline assessment, (3) TA program design, (4) TA implementation, (5) Knowledge Sharing

⁵ CAP decided to conduct assessment of 10 out of 11 CUs in the Working Group, as the 11th CU “Anisia” was subject to joint due diligence of Oikocredit and CAP earlier in the year.

agri-lending, limited access to tools to assess creditworthiness of borrowers, lack of marketing skills to attract new members, and low financial literacy of their members.

The design of the training program for the CAP AGLWG was a main goal of the second PUM mission in Q3 that took place in May. CAP team jointly with a PUM expert, who is also responsible for coordination of all activities at the PUM HQ level, drafted a training plan derived from the results of the due diligence missions. The training plan took into account not only individual needs of each of the 11 CUs in the group but also overlapping needs of the group as a whole. In the coming years, CUs participating in the AGLWG with PUM support will receive TA support in the form of:

- Workshops and practical exercises at the CU head office and/or selected branches;
- Kyiv and regional-based group trainings for CUs with overlapping needs and challenges, that would also allow for cross-learning experiences; and
- Webinars through national CU associations as on-line distance learning opportunities. (In the future, those may be available to a broader audience of CUs).

Most immediately and during early FY2018, the TA will focus on building management capacities of the CU management teams as well as lending and marketing skills to advance agriculture lending. The project will facilitate the involvement of employees of all CU structural units in the educational process, not only the top management. This will ensure that new skills and knowledge are disseminated and captured across all departments and offices within the CU.

This achievement concludes final stage of the TA design of the agricultural lending strategy adopted by CAP. The training design and schedule remains flexible enough in the long-term to allow for adjustments necessary to address the changing needs and/or operating environment for CUs. Involvement of CAP seconded staff will also further facilitate sustainability of CAP TA efforts being provided nationwide through work with the national CU associations.

Agricultural lending expansion approach⁶ – TA implementation (step 4)

Q3 marks the first coordination meeting of the 11 CUs in Kyiv, kick-starting the AGLWG with the first training event of the TA program aiming to advance agribusiness lending in Ukraine through CUs.

- 1) *AGLWG formation meeting* - on April 11th the first meeting of the group was held in Kyiv at the CAP office with managers of 10 out of 11 CUs⁷. During this all-day event, participants learned about the CAP project, with emphasize on its activities, expected results, and principles as well as action plans for the cooperation of working group members with international experts (PUM) as well as planned cooperation with other USAID projects (FST, ARDS). The CU representatives presented the history of the

⁶ Expansion process: (1) selection, (2) baseline assessment, (3) TA program design, (4) TA implementation, (5) Knowledge Sharing

⁷ no one was available to represent “Melitopol-Kredyt” from Zaporizhzhya oblast

formation and development of the CUs, as well as the current state of agricultural financing and potential developments. During the meeting, partner CU quarterly reporting formats for CAP were agreed upon. Participants also determined a plan for collaboration in Q3, scheduled and structured the due diligence processes (as described above), proposed a path to implementation of new tools for borrowers' assessment, and discussed acceptable frequency and format of training events.

- 2) *Post-diagnostic Skype-based conference* - on May 26th, the project conducted a skype-meeting with the 10 AGLWG participants from the April meeting, discussing the generalized diagnostics results, and provided information on the training topics identified and the training schedule for 2017.
- 3) *Webinar on advocacy* – following the June 1st workshop on advocacy in Kyiv (two AGLWG CUs were in attendance as volunteers), CAP held a webinar with the other AGLWG members to share information on advocacy principles and approaches with a focus on the crucial role of enabling grass roots advocacy to gain support for CU initiatives.
- 4) *Conference on economic self-organization “A million from a hectare”* – by invitation of the CU “Vygodna” in Stryj, June 8th – 9th AGLWG members participated in the conference on economic self-organization and cooperatives organized by Stryj to create a platform for increased efficiency of cooperation between various cooperative movements, including CUs and farmers cooperatives. The participants received practical information on organizing agricultural cooperatives, financing aspects of cooperation as well as experiences regarding implementation of regional and national programs to support agricultural producers.
- 5) *“AgriAnalytica” training* – During this same event, taking advantage of having 10 of the 11 AGLWG together,⁸ CAP together with the national CU associations conducted a practical training on the use and capabilities of an online platform “AgriAnalytica” – online service offered by the Italian company Strategia e Sviluppo Consultants (SSCU) Ukraine (see the next section below for more details). The tool not only helps the loan officers assess cash-flow based creditability of potential borrowers, but also helps farmers to prepare well-qualified business plans for their activities, determine production expenses and income, forecast monthly cash flow, and generate a set of high-quality documents for obtaining loans, to name just a few functionalities.
- 6) *“Stryj Organic Fest”* – Following the abovementioned conference, partner CUs participated in a festival of organic producers. The event was a good example of effective marketing activities by CU “Vygodna” aimed at promoting its activities and improving the overall CU image among the community and its members, which is important for the entire CU sector.

Implementation of new tools for assessing borrowers' creditworthiness

A core element of a complete lending process is creditworthiness assessment of potential borrowers. For any credit institution, analysis of borrower's ability to repay debt is crucial for portfolio risk analysis and management. The same applies to micro, small and medium-sized agricultural producers (MSMES) and CUs need to learn how to effectively assess potential risks using available tools and methodologies.

To address this need, on May 17th CAP signed a Memorandum on Cooperation with SSCU to provide AGLWG CUs with free access to its online business assessment tool

⁸ Notably, throughout Q3 one CU did not participate in any of the in-person or online events. Consequently, participation of the CU Melitopol-Kredyt in the group will be reconsidered in Q4.

“AgriAnalytica” and will facilitate the further adaptation of the website to fit needs of CUs and their member borrowers. Furthermore, SSCU agreed to provide sufficient training and instruction to CAP and CUs on the use of the tool. Using the program will help CUs to improve their credit assessment procedures for agricultural borrowers and help create and analyze their business plans, actual and future cash-flows and activities, as well as assess business risks, accordingly to the agribusiness production type, hence contributing to improved quality of CU agriculture portfolio.

As a first step, in late May, CAP team, including seconded staff, received theoretical and practical training of the trainers “TOT” training on use of the AgriAnalytica. Following the training, the CAP team delivered an introductory seminar to the AGLWG during Stryj conference that took place in June 2017 (as noted in the section above).

The testing phase of the program began immediately following June training. Notably, already in June, CU “Kredyt-Soyuz” granted the first **four farm loans for a total amount of UAH 1,390,000** (USD 53,000 equivalent) using the AgriAnalytica for business analysis. CAP will monitor the results across all AGLWG CU members and report accordingly.

Cooperation between the CAP Project and Associations

During Q3, the employees of the associations took an active part in the work under Objective 4 participating in meetings and trainings, and supporting webinars and discussions among their CU members. This gave associations exposure to new information and best practices on agrilending and a deeper understanding of CAP project activities. Information learned will be disseminated across the 200 CU members of the associations.

Moreover, CAP initiated a new avenue to channel CAP project activities, updates and results to all interested members of the national CU associations by agreeing to the presence of a CAP project information “site” on the associations’ websites. Associations’ websites are widely used by their members and will allow members to access first-hand information on CAP progress across all its objectives, not only AGLWG activities.

Collaboration with other TA projects

Leveraging other projects and its own resources through collaboration and coordination remains important for the CAP team. On May 23rd, CAP hosted a meeting with the representative of UHBDP - a public-private partnership, funded with the assistance of the Ministry of Foreign Affairs of Canada and MEDA. The project operates in four oblasts of Ukraine—two of which overlap with current CAP partner CUs—and aims to develop agricultural markets and their respective workforce, create an enabling environment for agricultural producers in selected value-chains (for example: fruit and vegetable producers), and bridge the financial access gap in Kherson, Zaporizhzhya, Odessa and Mykolayiv oblasts. The projects agreed to build a working relationship in common areas of operations, currently in Kherson and Zaporizhzhya, in order to facilitate access of CAP partner CUs and their members to UHBDP training and marketing activities as well as to disseminate information to fruit and vegetable producers on the availability of financing via CUs. As UHBDP envisions intensive training of farmers on modern technologies, CAP would recommend participation of partner CU loan officers in training events to raise their awareness of new technologies and their impacts on cash flow estimates. To date, CU “Yednist” in Kherson participated in three June events organized by UHBDP. These included a regional roundtable on establishing the Association of fruit and vegetable

producers in the Kherson region and the Club of Exporters as well as two seminars, taking the opportunity to market its activities and speak about the work of the CAP AGWLG.

In addition, during this reporting period, CAP also attended a number of meetings with the USAID ARDS. As a result, the following areas of potential cooperation were outlined between the CAP and ARDS and DOBRE projects:

- Combination of lending capacity of CAP partner CUs with development needs of ARDS partners – cooperatives and other small and medium-sized agriculture producers. Due to extensive grant program of ARDS, there may be opportunities to leverage additional funding via CUs;
- Participation of CAP experts and partners in spreading financial literacy among SMEs being trained in agro-technology and other areas of the ARDS training program; and
- Engagement of CAP partner CUs in ARDS and DOBRE activities focused on developing resource centers in rural areas for learning about available sources of financing via CUs, financial education and production knowledge for SMEs and their cooperatives.

In addition, CAP project continues its working relationship with the FST project. On June 6th, the CAP Project Specialists participated in discussions on the results of focus groups organized by FST, which investigated the awareness and attitude of the population towards the services of non-bank financial institutions, including credit unions. The CAP specialists analyzed these results and introduced them to the participants of AGLWG during the events in Stryi in June. Elements of positive image building for CUs will become an essential part of marketing modules of CAP training program.

Key Challenges

It is apparent through working with the selected CUs that the AGLWG members are very heterogeneous in terms of experience and operational capabilities, as well as the potential to increase the agrilending. As a result, individualized TA will have to be applied to CUs in the group in order to be effective. Furthermore, complicated logistics due to geography of the country and localization of the CUs in rural areas will add to complexity of the planning process and overall to the Objective.

To overcome this challenge, CAP must pay additional attention to the preliminary logistical planning of each training and travel to the field, while ensuring quality of delivered technical assistance. Lack of the updated legislative framework, the focus of Objectives 1 and 2, remains a significant barrier for CUs to increase agribusiness lending activities in areas of high demand and concerns all CUs in the market.

Objective 5: Increased CU liquidity and savings mobilization.

The main goal for year 1 FY17 under Objective 5 is to explore potential interest among international donors and investors, as well as local banks to provide long-term capital to interested and qualified CUs. The interest remains limited at this point aside from previously

identified Oikocredit, which has a history of working with CUs in Ukraine and funding available in local currency that eliminates foreign currency risks.

Cooperation with Oikocredit

Identified by CAP in Q2, Oikocredit remains a serious contender to become a recipient of redesigned DCA program that, following termination of DCA LPG for five CUs in Q3, is under consideration by USAID and DCA (see section on Objective 6 for more details). Oikocredit, strategic partner for CAP project under Objective 5, remains interested and able to provide selected CUs with local currency denominated debt.

As agreed during Q2, CAP is ready to support the process of due diligence of selected CUs to ensure they can receive timely and economical loans from Oikocredit, and simultaneously design and deliver a tailored TA program to ensure proper utilisation of the additional capital to advance agrilending in the respective CUs.

Objective 5: Highlight results Achieved in current quarter (Q3 FY17):

- Oikocredit due diligence planned for July including a visit to 1-2 selected CUs CAP partners
- CU “Anisia” loan pre-approved for disbursement in September 2017

Following a joint due diligence of CU “Anisia” during Q2, the CU was informed on the positive outcome of the assesment in Q3, and the final decision and pricing on the loan is expected in September 2017 in time for the harvesting season which is typically a period of increased credit demand at CUs. Subsequent assesment of CUs are planned for the fall, once there is more clarity regarding the Oikocredit DCA program (see Objective 6).

Other activities

To raise public awareness of CAP’s work with CUs and CUs role in rural economic development—especially among banking and financial institutions that could potentially provide financing in the long-term to ease liquidity constraints—CAP participated in a variety of conferences and round tables to present its approach, concepts and a vision for possible cooperation models.

On April 4th, CAP presented project activities, achievements and work plans to enable access to finance for small and medium sized agricultural producers at the *First Financial SME Fair in Ukraine* to numerous Ukrainian and international banking institutions and funds. One area of potential cooperation outlined was providing external funding to CUs – partners of CAP and members of AGLWG. A few banks demonstrated their interest in further discussion, including Kredo Bank and Kredit-Dnipro. Further discussions with those banks are scheduled for Q4.

On April 27th, CAP participated in the round table “Role of financial and lending institutions in financing agrarian business of Ukraine” which was held at the National University of Life and Environmental Sciences of Ukraine, and presented its approach to expanding financing

of small and medium agro producers through CUs to numerous representatives of international donors and banking institutions (IFC, Credit Agricole, Kredit-Dnipro, OTP-bank and others).

Key Challenges

Through continuous efforts to identify new sources of financing for the CU sector, the CAP COP and DCOP are finding that potentially interested organizations do not have local currency available for on-lending in Ukraine or—as in case of Finance in Motion that manages SSCE funds—funds available in local currency have been fully committed and utilized for the upcoming years.

Furthermore, lack of confidence in CUs and the financial sector overall prevails in Ukraine. This negative “press” has adverse impact on, not only CUs being able to attract new members, depositors, and borrowers, but also on potential donors and lenders. Positive PR and success stories, which CAP aims to showcase and support through its work, can lead to perception change. CAP’s goal to overcome this challenge remains to:

- a) To slowly build trust in the CU sector by working with individual CUs to serve as business models for potential donors (Objective 4);
- b) Conduct training to AGLWG member CUs on PR skills as a part of their marketing education;
- c) Strengthen and modernize the regulatory and legal framework of the entire CU sector (Objective 1); and
- d) Coordinate PR efforts with other USAID TA Projects.

Coordinated efforts among various USAID TA Projects can lead to better results of the individual projects, build positive image of CUs among population as well as potential investors, and hence contribute to the development of the sector.

Objective 6: Improved utilization of the USAID DCA Loan Portfolio Guarantee

Termination of DCA LPG

During Q3, the activities under Objective 6 were limited. Though, technical support to three CUs – parties of the DCA agreement with USAID – was provided to enable their access to the Credit Management System (CMS) and support drafting proper documentation for restructured loans under DCA LPG. Following months of analysis and discussion, USAID made the decision to terminate the DCA LPG program effective June 1st, 2017. The CAP team assisted the CUs and USAID to execute termination letters for all five CUs and support smooth closing of the program.

As the outstanding loan portfolio under the DCA guarantee will slowly diminish to zero, the CAP team will continue to support collection of the remaining portfolio data from the CUs, provide required assistance to the DCA CMS and help CUs when required with stipulations

Objective 6: Highlight results Achieved in current quarter (Q3 FY17):

- Support of termination of DCA LPG as of June 1, 2017
- Development of term sheet for Oikocredit DCA program
- Confirmation of the DCA due diligence trip to Ukraine (Q4).

of the terminated DCA agreement vs. outstanding portfolio coverage. As of end of Q3, three CUs have outstanding loans under DCA LPG scheduled to be fully repaid by February 2020.

Modification of DCA component – due diligence of OIKO

Immediately following termination of the DCA LPG for the five CUs, CAP stepped in to streamline the due diligence process of Oikocredit and proposed as a “replacement” a DCA LPG facility that would allow Oikocredit to more effectively lend to selected qualified CUs in Ukraine and agribusiness SMEs, while managing its risks. CAP provided required support to the USAID mission to facilitate effective communication between Oikocredit Ukraine, its HQ in the Netherlands, DCA in Washington DC and its Ukrainian counterparts. Key actions included:

- Revision of the Term Sheet through several calls April - June, 2017 - draft term sheet for Oikocredit DCA was developed ensuring CU lending remained at its core;
- Planning for the due diligence and visit to CU “Anisia”—CAP partner considered for the first Oikocredit loan.

As previously stated, CAP continues to support efforts of USAID to design and activate a new DCA LPG for Oikocredit in Ukraine and is awaiting final decisions regarding the new facility. The CAP team is prepared to discuss implications of the termination of the old DCA and activation of the new DCA program for the project, in particular for Objective 6.

Key Challenges

With termination of the DCA LPG for five CUs, CAP will not be able to reach its goals and follow the approved implementation plan and corresponding M&E plan for FY17. Following the results of Oikocredit due diligence and final decision of DCA Washington to extend DCA LPG to Oiko, CAP will be ready to redesign the Objective 6, its implementation plan as well as M&E to reflect new reality. This will be a significant investment of time for the team in Q1-Q2 FY2018, not foreseen for year 2 of the project.

3. Gender as a Cross-Cutting Activity

CAP continues to ensure gender equity and representation in all activities and across the project objectives. During Q3, CAP received several strong applications from the Worldwide Foundation’s (WF’s) Global Women’s Leadership Network (GWLN) of CU leaders worldwide, to support gender equality programming through the CAP Project. Following a set of interviews selected from the pool of international experts, the CAP team selected the first volunteer, a Regulatory and Legislative Affairs Specialist from the Michigan Credit Union League (MCUL) to join the CAP team in Kyiv for a week-long mission during July 2017 (Q4).

The volunteer will conduct a “Gender Equality” training session for the CAP staff at its office in Kyiv. She will begin by providing an overview of the concept of “gender” and how it differs from one’s sex and she will delve into an explanation of why it’s important to understand gender and how it can affect programming and be applied to CUs.

It was also planned that the volunteer would provide a training session to Ukrainian regulators, analyzing the gendered dimensions of laws affecting the credit union sector in Ukraine. In the process of preparing for the mission, on June 16th the CAP team received a written letter from the Regulator stating that while NCSRFSM is interested in understanding more about what a gender analysis is and including a gendered approach to laws and regulations, as its important for society, in coming months the Regulator would prefer CAP's activities to focus on regulatory capacity-building.

The letter was accompanied by a list of current priorities for the Regulator where CAP's assistance is expected during Q4 and beyond. Consequently, CAP's training on gender sensitive programming and regulations will be delayed by CAP until the key front-line needs of the Regulator are addressed. Additional information about the volunteer's mission will be shared in the Q4 report.

4. Hosting CAP Project Volunteers/CAP Project Leverage

During Q3 FY17, the volume of trips and international volunteers continued to increase after the first mission reported in Q2.

In Q3, CAP hosted 5 volunteer missions:

- **PUM Senior Experts** – during the quarter, PUM carried out two missions to Ukraine and continued to work remotely with the staff on a regular basis to prepare for upcoming travel and work on design of the detailed TA training program for CUs in AGLWG (see Objective 4 for more details).
- **Irish League of Credit Unions Foundation (ILCUF)** – Between May 22nd and June 2nd, a volunteer expert from ILCUF devoted almost two weeks to working directly with UNASCU to begin the process of strategic planning (Objective 3) for the association. The process will conclude in Fall 2017 with a 3-year strategic plan.
- **Credit Union National Association (CUNA)** – a high level volunteer expert –Chief Advocacy Officer of CUNA - conducted two high level events upon CAP invitation: Taxation Roundtable (see Objective 1) and Advocacy Workshop (see Objective 2)
- **Moldovan Regulator** – A volunteer from Moldova - Director of General Department of Collective Investment and Microfinance of National Commission for Financial Markets representative - presented CU sector regulatory practices to Regulator's staff and National Bank of Ukraine officers (see Objective 1).

As of the end of Q3 FY17, WOCCU has accrued USD 128,931.71 in leverage from the technical volunteers noted above; a local IT volunteer, who in absence of an IT service provider, continues to provide the necessary guidance in the office on IT network design and troubleshooting of IT equipment as needed in the office; WOCCU staff time not billed to the project or included in the NICRA rate; and waived overhead rate of WF.

As reported previously, additional support was leveraged from the WOCCU CU technical expert that worked with the national CU associations to conduct diagnostics as a part of Objective 3 during Q2, with report writing finalized in Q3. The WOCCU CU expert was paid from non-project funds and will continue to provide support, in person and remotely.

CAP M&E continues to collect VVRS data for each of the volunteers. Based on the feedback from host, implementers and volunteers themselves, the process does not require further adjustments.

The following volunteer assignments are currently prearranged for Q4 FY17:

- **US based Ukrainian Diaspora Credit Unions** – two experts from Ukrainian Federal Credit Union in the US, CEO and President of Board of Directors will work with AUCUA during June 26 - July 8 to develop a three-year strategic plan for the association with the focus on the association’s services, similar to ongoing engagement of ICULF at UNASCU (Objective 3).
- **Global Women Leadership Network** – two separate assignments will be carried out by the group of GWLN volunteers in the period that will include more than 20 high level experts – volunteers:
 - *Gender and Compliance Training* - an expert on gender and CU regulatory functions and compliance from the US based Michigan Credit Union League will visit Kyiv in July for a week-long mission to: conduct a “Gender Equality” training session for the CAP staff; provide training to NCSRFMS to improve regulation through direct engagement with CUs and associations; and discuss with partner CUs and the national CU associations methods to market their services/products to CU members in rural areas to equally support all credit union members’ businesses;
 - *Study Tour and Open Forum* – July 27th to August 2nd a group of more than 20 senior CU expert volunteers from the US and Kenya, including GWLN members as well as the WOCCU CEO, will visit Kyiv and Lviv for a capacity building study tour. The tour will begin in Kyiv with visits to the offices of the two national CU associations, UNASCU and AUCUA, to learn about their operations and challenges they are facing. There will also be an “open forum” held in Kyiv, that will bring CU representatives⁹ and the study tour guests together to discuss the areas of major technical importance to Ukraine’s CUs and to the CAP Project’s objectives. The second portion of the trip will be held in Lviv in western Ukraine where the international experts will have the opportunity to visit credit unions on-site as well as speak with customers (farmers) of select credit unions. Finally, there will be a roundtable with CU representatives in Lviv to discuss operational challenges, especially in regards to agribusiness lending expansion. At the conclusion of the study tour, the international CU experts will provide recommendations to the CAP team to support project implementation efforts.
- **PUM Senior Expert** – two missions are planned by PUM in Q4 to conduct technical trainings for the 11 AGLWG CUs that will officially launch the training program.
 - *Working Group Training* – the first training will take place in August in Stryj to cover the basics of Strategic Planning, HR and Loan Products Design for all CUs in the AGLWG.
 - *Individual Training Visits* – second mission is planned for September to focus on individual training on the same for each AGLWG CU which will be held

⁹ The Regulator has been invited to attend the open forum.

during on-site visits. Given the disbursement of the CUs across Ukraine and long travel distances, the mission will likely continue into October for the remaining CUs not visited in September.

- **IT volunteer** – Ongoing collaboration will be provided as needed throughout the project's life cycle.

Additional volunteer assignments may be possible toward the end of the Q4 following August which will have limited activities due to vacation season.

5. Administrative Updates

VEGA Financial Oversight Visit:

In April, VEGA's Managing Director of Administration and Finance conducted a financial oversight visit to the CAP program. This visit is standard practice of VEGA's oversight as the prime award holder and not an indication of challenges or concerns with the program. VEGA did not identify any significant findings or concerns.

Personnel:

During Q3, three changes occurred in the composition of the CAP team. First, the Regulatory Specialist unexpectedly resigned for personal reasons leaving the position vacant as of April 25th. The team immediately posted to re-hire for the position with planned interviews for May and June and proposed start date in July, 2017.

Second, CAP concluded recruitment of a Project Assistant, a new position to replace Administrative Assistant with more responsibilities to support accounting, event planning and communications, as the project lacks a communications position. The Project Assistant began to work mid-April and has already proven to be a valuable and integral part of the team.

Finally, the seconded staff from the national CU associations joined the CAP team on May 10th.

6. Work Plan for Next Quarter (Q4 FY17)

During Q4 FY17, the CAP Project anticipates focusing on the below listed activities. This is a sample of activities planned for the next quarter, but not necessarily an exhaustive or finalized list:

1. Office operations:
 - a. Recruit and onboard new Regulatory Specialist;
 - b. Revise office sitting space to better accommodate working relationships, as well as new staff;
2. Objective 1:
 - a. Participation in the CU Working Group at FBAC to support the unified draft CU law once initiated;
 - b. FORUM in Stryj - Participation of associations, the Regulator, and AGLWG in the II International Forum of Credit Unions (Stryj) that will provide opportunity to discuss the regulatory environment update;
 - c. Study tour to Poland for the representatives of the Regulator, FBAC, Associations as well as other government officials to build consensus and support for the draft CU law and provide exposure to Polish practices;
 - d. Technical training sessions for the Regulator on PEARLS as a financial soundness management tool for CUs.
3. Objective 2:
 - a. Conduct quarterly meeting between the national CU associations and CAP to maintain communication and strategize for proceedings following 1st reading of the draft CU law;
 - b. Deliver training on marketing at CUs and gender sensitive product design for financial institutions;
 - c. Work with the national CU associations to develop a joint communication strategy
4. Objective 3:
 - a. Advance strategic planning process for each of the national CU associations separately with two teams of volunteers – experts from United States and ILCUF (Q4 FY2017 – Q1 FY2018);
 - b. Identify list of new and modern services in demand from CUs.
5. Objective 4:
 - a. Analyze the dynamics of agricultural finance development and the efficiency of the CU work within the AGLWG and develop a process to select / disqualify members of the group to be able to refresh its composition as needed (Q4 FY17 – Q1 FY18);
 - b. In collaboration with PUM, prepare and carry-out the following TA activities:
 - i. Workshop for all AGLWG participants on strategic planning and development of loan products (August 2017);
 - ii. Individual trainings for AGLWG participants on strategic planning and analysis of available loan products in CUs (September-October 2017);

- c. Plan for Q1 FY18 training sessions with PUM experts and draft mission schedule for the remaining months of the calendar year; and
 - d. Work with the AgriAnalytica developers to adjust the program based on the feedback from AGLWG members regarding the use of this tool for borrowers' creditworthiness assessment.
6. Objective 5:
- a. Following approval of CU "Anisia" loan from Oikocredit Ukraine, initiate work to develop TA support plan; and
 - b. Continue to meet with selected local and international institutions to explore their interest in working with CUs and identify existing lending opportunities;
7. Objective 6: activities under this objective remain limited to overseeing outstanding loans under the LPG as the DCA was terminated. Pending results of the Oikocredit due diligence, Objective 6 will be redesigned, including its activities, goals and respective indicators. Until the new facility is in place, CAP team will continue to:
- a. Monitor remaining guaranteed portfolio under the terminated DCA agreement for the five CUs and provide technical assistance to three CUs;
 - b. Support USAID mission as needed to redesign new DCA LPG for Oikocredit and ensure CUs interests are well represented;
 - c. Continue working with AGLWG CUs proposed for Oikocredit consideration including joint due diligence on-site visits to CUs.

7. Project Monitoring Data for Q2 FY17

During Q3 FY2017, CAP implemented activities as planned under Objectives 1-5, as Objective 6 remains dormant until the redesign is finalized. Annex 2 to the report includes the CAP Monitoring Indicators Tracking Table and reflects progress made by CAP during Q3. The monitoring indicator system focuses on the main project performance components and reflects progress made in capacity building of the CU sector and agrilending expansion. As some indicators are reported semi-annually, the Indicator Table contains actual data only on indicators reported quarterly. Information on specific indicators are highlighted below.

The table starts with the indicator that reflects overall conditions and the state of the CU market as of the end of 2016. The indicator is reported semi-annually and is based on data published on the Regulator's web-site.

Indicators 1.1. and 1.2. both reflect progress made toward achieving expected results 1.1-1.3:

- Indicator 1.1 "Number of sector amendments to existing laws" remains at zero as CAP activities were focused on promoting the draft CU law. As highlighted above, the draft CU law was registered in Parliament on April 21st and is pending 1st reading in the fall 2017.
- In Q3 FY 2017, CAP continued to conduct trainings for the Regulator (Indicator 1.2). Three presentations were made during the quarter: one by Senior Policy Advisor and two by senior volunteer experts. During the quarter 18 people were trained, four of which were new unique trainees (3 – females; 1 – male).

Indicators 1.3. and 1.4. demonstrate the level of trust in CUs from their members. Progress is measured by changes in “Average number of members with deposit accounts per one CU” and “Average value of deposits per one CU” is measured semi-annually (expected results 1.4-1.5).

Value of Indicator 2.1. “Number of policy initiatives jointly developed and endorsed by the two associations” reflects joint activities of the two associations aimed at improving CU-related policies and regulations in Ukraine (expected results 2.1-2.2). During Q3, the associations have carried out joint initiatives around CUs’ not-for-profit taxation status. Activities included communication with national public authorities and a request submitted to the Legal Department of the Parliament Administration to provide a legal opinion on the question of tax status of CUs.

Indicators 3.1-3.2 do not show any value as Q3 focused on initiating strategic planning with the associations and carrying out an analysis of association services. Next steps will include formalization of a portfolio of association services, designing a tracking tool for services provided services to CUs, and defining steps for expansion of the current menu of services. The aim of these activities is to provide better service to member CUs (expected results 3.1-3.2).

For indicators 4.1-4.2, 8.1 million UAH total in agriloans were made by 11 CUs, exceeding the target. The number of individual borrowers reached 558 (54 percent female and 46 percent male). The average loan issued to males was almost twice as large as the average loan made to females. There is still significant room for expanding agrilending as it made up only 3.4 percent of the total loan portfolio of 11 partner CUs. Partner CUs have strong motivation to increase agrilending (expected result 4.1).

Indicator 4.3 is currently linked to modern agriculture related services provided by the associations. As work on modern services has just begun, this indicator remains at zero (expected result 4.2)

Indicator 5.1 under Objective 5 is reported annually. Q3 CAP activities under Objective 5 included several meetings and participation in negotiations with Oikocredit.

The CAP team expects to get its first measurable results under Objectives 3 and 5 in Q4 FY 2017. Indicators under Objective 6 will be revised as the DCA agreement with the CUs was terminated this quarter.

ANNEX 1

Survey reporting the demand and needs of credit unions in regards to services provided to them by their national credit union associations

Analysis of results

Background

Under Objective 3, the CAP project aims to build the capacities of the national CU associations, and in particular strengthen the menu of services available to their member CUs while ensuring the offering includes new and modern services and that those services respond to the needs and demands of the CUs. CAP conducted a brief survey to inform the design of its technical assistance support with respect to developing new services.

During Q3, in May CAP jointly with the CU associations designed and conducted a short electronic survey, among their associated CUs, to define the demand of existing services offered by UNASCU and AUCUA respectively, the level of satisfaction with current service offerings, and the need to build new and modern services. The questionnaire was designed by the CAP M&E Specialist in collaboration with associations' leaders and seconded staff, with input from a technical adviser from ILCUF. In the survey, all services were considered regardless of whether they were provided by the associations directly or their legal dependent entities.

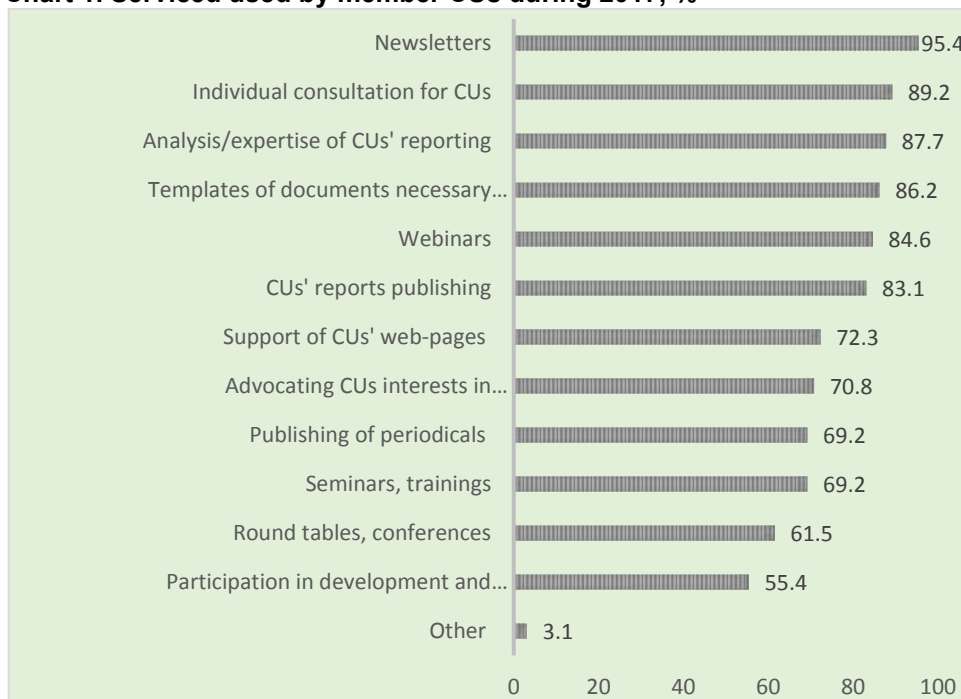
Out of 177 CU members across both associations, CAP received a total of 65 responses, 39 and 26 from UNASCU and AUCUA respectively. The sample is not representative and reflects the opinions of the respondents. For the purpose of this analysis, the word "respondents" is used interchangeably with CUs or CU members when referring to the survey data results presented in the following section.

Current menu of services available to members of associations

The survey demonstrated active use of associations' services across their members (respondents) with an average of nine services used per one CU. As chart 1 below demonstrates, every type of service was used by more than half of CUs in 2017 (between January and May).

The most often used service of the two associations is the informational newsletters that are read regularly by 95 percent of respondents, followed by individual consultations (89 percent) and support with CU reporting (88 percent). The least used service is participation in development and improvement of legislation, reported as used by only 55 percent of CUs. This type of service is implemented by the associations on the national level and CUs have limited access to this activity.

Chart 1. Serviced used by member CUs during 2017, %

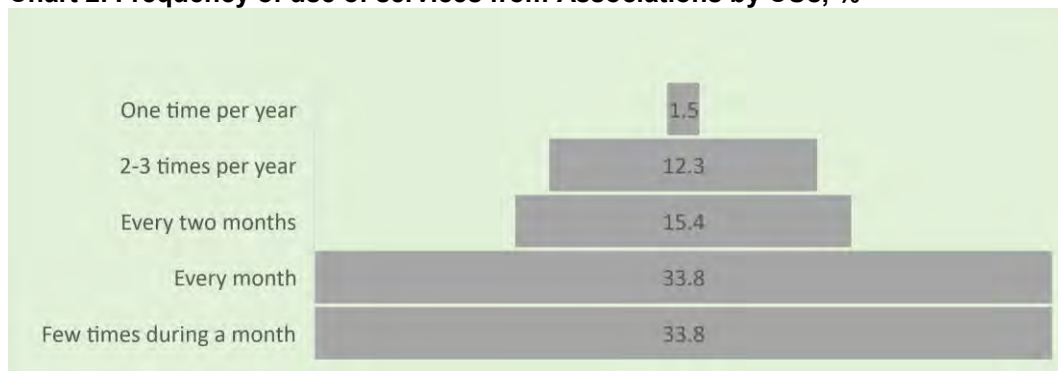


The first chart focuses only on the services available to members of both associations, and does not include services offered by only one of the associations. The following are services unique to each of the associations:

- AUCUA has only one type of service provided exclusively by AUCUA, namely: publishing of guidance materials on the association's website. This service was used by 88 percent of AUCUA respondents in 2017;
- UNASCU offers three unique services to association members, as listed below:
 - o Electronic format guidance materials - used by all CUs;
 - o Software installation and support used by 44 percent of CUs; and
 - o Financial programs (Stabilization, 'Start' program, Technical Assistance Fund, Central Liquidity Reserve) used by 21 percent of members.

Respondent CUs keep intensive communication with the associations: almost 68 percent of them seek the assistance of the associations at least one time per month. Chart 2 illustrates frequency of communication among CUs and their associations.

Chart 2. Frequency of use of services from Associations by CUs, %



The most important services and their quality assessment

As presented in Table 1 below, advocating for CUs' interests before public authorities is the most important service of the associations, valued as most important by 80 percent of respondents. Participation in development and improvement of legislation is also a very valuable input to CU sector development (71 percent).

Individual consultations and other types of methodological support as a way to receive individualized assistance are also very important to CUs. On the other hand, training, seminars or webinars offered are perceived as less important.

All association services were evaluated as high quality – all of them received more than 4 points on a scale from 1 to 5. This reflects both cultural specifics and real recognition of the associations' support provided to the CU sector. The associations know their clients well and provide support to their CUs. As the survey was not anonymous, it is possible that the overall responses, especially those of dissatisfaction were distorted.

Table 1. The most important services provided by the Associations and their quality assessment

	The most important, per cent	Quality of Services (score from 1 to 5)
<i>Advocating CUs interests in Government and public authorities</i>	80.0	4.28
<i>Individual consultation for CUs</i>	75.4	4.71
<i>Participation in development and improvement of legislation</i>	70.8	4.58
<i>Templates of documents necessary for CUs operation</i>	70.8	4.79
<i>Analysis/expertise of CUs' reporting</i>	69.2	4.89
<i>Receiving of guidance/methodological materials in electronic format (only UNASCU)</i>	69.2	4.90
<i>Guidance materials published on Association's web-site (only AUCUA)</i>	61.5	4.55
<i>Newsletters</i>	56.9	4.69
<i>CUs' reports publishing</i>	43.1	4.98
<i>Webinars</i>	40.0	4.60
<i>Support of CUs' web-pages</i>	36.9	4.88
<i>Seminars, trainings</i>	35.4	4.68
<i>Round tables, conferences</i>	32.3	4.77
<i>Software installation and support (only UNASCU)</i>	23.1	4.87
<i>Publishing of periodicals</i>	21.5	4.88
<i>Financial programs (Stabilization, 'Start' program, Technical Assistance Fund, Central Liquidity Reserve) (only UNASCU)</i>	12.8	4.86 (7 respondents)

Expansion of current services – current needs of the CUs

The survey asked respondents to express their needs beyond the current services offered to the associations that could potentially be provided. The data on this question is not of high quality as many of the respondents did not answer it correctly and it is possible the question was not constructed properly. Unfortunately, e-mail surveys have their limitations and the M&E Specialist did not have the opportunity to clarify the question with the CUs.

Table 2 below lists a wide array of services provided by CU associations worldwide. The list was created with support of international WOCCU experts based on their experience and knowledge and included in the survey questions. Each respondent was then asked to weigh the importance and needs of each listed service for their own development.

The average score of each potential service in table 2 below is presented with the number of CUs that stated this service. Albeit incomplete, the data gives sufficient information on possible needs and service expansion from the CUs' perspectives and those suggestions should be taken into account by the associations.

The questionnaire also has an open question for CUs to suggest their own services based on their individual needs. At the end, only 2 out of 69 respondents provided suggestions: (i) distance learning and (ii) increased role of associations in communication with respective local authorities.

The least popular services are insurance (the lowest score 2.93; 40 respondents) and assistance on mergers of CUs (3.03; 36 respondents). Leadership development is a less necessary service among all training options (3.29; 41 respondents). At the same time training with a certified trained staff member is in high demand (4.53; 57 respondents).

Networking activities generally are more needed (more than 4.20 point; 52-53 respondents 'voted') than development issues (3.70-4.14 points; 35-49 respondents) from the point of view of respondents. Demand on social performance analysis and financial literacy development are rather moderate.

Table 2. Potential services importance for CUs

	Average score	Number of respondents
Advocacy		
<i>Assistance on advocating credit unions' interests on local level</i>	4.30	54
Organizational Support and Security		
<i>Insurance</i>	2.93	40
<i>Stabilization schemes (only AUCUA)</i>	3.81	21
<i>Assistance on Mergers of CUs</i>	3.03	36
<i>IT Services - Software for CUs</i>	4.23	53
<i>Additional monitoring (operational, financial) of CUactivity</i>	4.02	50
Training		
<i>Training on marketing and market research</i>	3.83	48
<i>Training on promotion of CUs to mass-media and communities</i>	4.10	52
<i>Professional training for credit unions' staff</i>	4.12	41
<i>Leadership development</i>	3.29	41
<i>Training on other subjects</i>	4.03	29
<i>Training of CU staff in accordance with requirements set by authorized authority and certification of trained staff</i>	4.53	57
Development		
<i>Forecasting</i>	4.14	49
<i>Centralized marketing and marketing research services</i>	3.72	47
<i>Consulting support on strategic planning</i>	3.90	49
<i>Consulting support for loan products development for agriculture expansion</i>	3.88	48
<i>Consulting support for loan products development for expanding other lending directions</i>	4.11	35
<i>Services for new segments in credit union membership (for example: agricultural coops, labor unions, etc.)</i>	3.83	48

<i>Consulting support in transformation of credit union to center of economic growth of local community</i>	3.88	49
Social Performance		
<i>Financial education development (literacy) for potential clients</i>	4.02	51
<i>Social Performance Analysis</i>	3.89	47
Networking		
<i>Informing on innovations in other countries in the field of credit unions development</i>	4.21	52
<i>Providing access to databases: of potential donors; investors; technological partners, technical assistance projects, etc.</i>	4.26	53

Potential training and consulting topics suggested by respondent CUs included, among others: management training (accounting; financial analysis; planning; work of loan officers and cashiers; HR management); new taxation and legislative rules compliance (reporting of CU as a profit-tax payer; legislation changes including the new draft CU law); lending methodologies and processes (new loan product design; borrowers assessment, effective negotiations with clients, agribusiness lending); and modern technologies in financial services.

Aside from services, CUs had a spectrum of suggestions on how to improve the associations' work, beyond just services. Some examples are listed below:

- *“To carry out trainings on implementation of cooperation of CUs and producers based on experience of other regions of Ukraine and world practices. Not to limit to one trainer when trainings/workshops are held. To extend duration of trainings. Maybe it is worth to explain more topics and in more extended format.”*
- *“To pay attention to cooperation with State Tax Service regarding the issue of non-for-profit status of CUs and inexpediency of cash registers use.”*
- *“The only needed thing to ensure results of activities (including activities of USAID CAP Project) is "smart" Law "On Protection of Creditors". Nobody would like to risk if there was no guarantee of loan repayment. That is the main Law, in our opinion. Everything depends on repayment - profitability, deposits guarantees (through accumulation of funds in CU), and participation in all programs and projects as a full-fledged and equal partner but not as a student as usual.”*
- *“To hire skilled lawyer to help” and “establish legal department.”*
- *“To link CUs to governmental programs – on agri-lending, energy-saving and others which are of interest to rural population.”*
- *“To introduce distance learning in a test format (optional) for all CU's staff of different functions using Poltava Economics and Trade University as a base. This will give an opportunity to establish unified requirements and methodology of all CUs' (or majority of CUs) operation and reduce expenditures for training”.*
- *“Design of unified modern software for CUs, which can be potentially updated for on-line lending, deposits, mobile application, payment systems use, keeping of accounts, access points, unified system establishing, everyday reporting.”*
- *“Introduction of additional forms of financial analysis of CUs' activities; graphical presentation.”*
- *“Improved access to information of possible cooperation with private sector businesses.”*

Conclusions:

Many CUs are active users of the associations' services and remain satisfied with their quality. The most important services include individual support; templates of various documents and assistance in reporting and standards compliance as far as CUs operate in an overregulated environment.

Advocacy activities and legislative work are also recognized and needed both on national and local levels. The CU sector faces many problems related to CUs' image and understanding of their social role by public officials, and the sector requires strong support in creating a favorable environment.

Unexpectedly, training activities of various content and formats are not the most desirable although CU staff need training to upgrade their professional skills. Potential growth of this type of services would be possible, should associations hold authorizations to certify trained participants with nationwide recognized diplomas. Networking and knowledge of best practices can be a service of high demand since most CUs operate locally and the associations remain the only networking avenue for them.

On the other hand, CUs do not recognize the role of the associations as insurance service providers or facilitators of mergers as these practices are not common in Ukraine.

Associations need to have high quality planning of activities, development and further growth. The services portfolio expansion may require accumulation of additional resources, changes in legislative framework, hiring new staff or increasing skills of personnel, more in-depth market research, further cooperation with international partners, and high quality communications with member CUs and the public.

ANNEX 2: CAP Monitoring Indicators Tracking Table

Monitoring Indicator	Disaggregation	Q3 2017	FY 2017	FY 2018	FY 2019	FY 2020	Cumulative Project		Notes and Explanations
		Actual this Quarter	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Actual Results	LOP Target	
Goal of the Project: To support broad-based, resilient economic growth by strengthening capacity of Ukrainian credit unions to expand agricultural lending which will increase employment and income opportunities in rural communities of Ukraine									
Goal of The Project: Indicator GP: Value of loans outstanding per credit union (semi-annually)	N/A	N/A	5,277,126/ 3,241,328				N/A	5,277,126/ 3,752,242	Indicator is based on Regulator's data and reported semi-annually
Objective 1: A legal and regulatory environment which respects cooperative principles, encourages meeting of prudential norms and enables credit unions to compete on a level playing field with other financial institutions									
ER 1.1 and 1.2. Indicator 1.1: Number of sector amendments to existing laws (quarterly)	N/A	N/A	0/1				N/A	0/4	Draft law registered in Verkhovna Rada on April 21, 2017.
ER 1.2 and 1.3 Indicator 1.2: Number of Government Regulator's staff trained in the best practices of credit unions oversight (quarterly)		4	31/10				31	31/60	The indicator includes new trainees who were trained in Q3. Annual number includes unique trainees during Q1-Q3.
	females	3	20					20	
	males	1	11					11	
ER 1.4 Indicator 1.3: Average number of members with deposit accounts per credit union (semi-annually)	N/A	N/A	120/45				N/A	120/52	Indicator is based on Regulator's data and reported semi-annually
ER 1.5 Indicator 1.4: Average value of deposits per credit union (semi-annually)	N/A	N/A	2,439,367/ 1,491,146				N/A	2,439,367/ 1,726,188	Indicator is based on Regulator's data and reported semi-annually

Monitoring Indicator	Disaggregation	Q3 2017	FY 2017	FY 2018	FY 2019	FY 2020	Cumulative Project		Notes and Explanations
		Actual this Quarter	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Actual Results	LOP Target	
Objective 2: The two national credit union associations collaborate to develop and implement policies that contribute to strengthening credit union performance and expand services to meet the evolving needs of their membership.									
ER 2.1. and 2.2 Indicator 2.1: Number of policy initiatives jointly developed and endorsed by the two associations (quarterly)	N/A	1	3/2				3	3/10	The joint initiative in Q3 is support for the not-for-profit taxation status of CUs
Objective 3: The two national credit union associations develop and deliver services to their members that meet member needs while contributing to the long-term financial strength of the associations and their member credit unions.									
ER 3.1 Indicator 3.1: Number of modern and/or new services available to members of credit union associations that became a permanent part of their service portfolios (quarterly)	N/A	N/A	0/2				N/A	0/10	UNASCU strategic planning session was held. Expert mission for AUCUA started at the end of June 2017. Services portfolio will be analyzed and structured in Q4
ER 3.2 Indicator 3.2: Number of credit unions using modern services provided by the associations (quarterly)	N/A	N/A	0/15				N/A	0/140	See above
Objective 4: Credit unions expand their agricultural and associated agribusiness loan portfolios while meeting member needs for timely, economic loans									
ER 4.1 Indicator 4.1: Value of new agricultural and rural MSME loans issued by assisted credit unions (during the period) (quarterly)		8,114,455	8,114,455/4,000,000				8,114,455	8,114,455/134,690,000	Total value of agriloans exceeds the target mainly due to overall macroeconomic improvements and TA support from CAP which

Monitoring Indicator	Disaggregation	Q3 2017	FY 2017	FY 2018	FY 2019	FY 2020	Cumulative Project		Notes and Explanations
		Actual this Quarter	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Actual Results	LOP Target	
									included training on AgriAnalytica and other analytical work regarding agrilending. 45.3 percent of the amount was issued to farmers; 52.2 percent was issued to household plots and 2.5 percent of the total was issued to other agriculture related loans
	females	3,085,370	n/a				3,085,370	n/a	
	males	5,029,085	n/a				5,029,085	n/a	
	legal entity	n/a	n/a				n/a	n/a	Only individuals can have loans from CUs in Ukraine
	individual entrepreneur	8,114,455	n/a				8,114,455	n/a	
ER 4.1 Indicator 4.2: Number of agricultural and rural MSME loans issued by assisted credit unions during the reporting period - quarter (quarterly)		558	558/2,000				558	558/21,700	54.3 percent of borrowers are females, 45.7 percent are males. Average agriloan value 14.5 thousand UAH (approximately 560 USD)
	females	303					303		
	males	255					255		
	legal entity								
	individual entrepreneur	558					558		
ER 4.2 Indicator 4.3: Number of credit unions engaged in agriculture lending (quarterly)	N/A	0	0/4				0	0/34	Number of CUs newly engaged in agrilending will be calculated after they get access to modern agriculture related services provided by the associations. The associations services

Monitoring Indicator	Disaggregation	Q3 2017	FY 2017	FY 2018	FY 2019	FY 2020	Cumulative Project		Notes and Explanations
		Actual this Quarter	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Annual Actual/ Annual Target	Actual Results	LOP Target	
									portfolio will be redesigned in Q4
Objective 5: Credit unions both mobilize savings and demonstrate the financial soundness necessary to overcome liquidity constraints									
ER 5.1 Indicator 5.1: Number of credit unions that are able to access external capital (annually)	N/A	N/A	0/0				N/A	TBD	
Objective 6: Support implementation of the existing eight year USAID DCA LPG through technical assistance to the five DCA partner credit unions to utilize the guarantee, report on progress, and promote its results and lessons learned among other credit unions of Ukraine									
ER 6.1 Indicator 6.1: DCA LPG utilization rate (semi-annually)	N/A	N/A	0/14%				N/A	0/80%	
ER 6.1 Indicator 6.2: Value of loans issued under DCA LPG (semi-annually)		N/A	0/\$1,200,000				N/A	0/\$3,600,000	
	females								
	males								
	legal entity								
ER 6.2 Indicator 6.3: Number of credit union staff trained in environmental compliance standards established by DCA (quarterly)	individual entrepreneur	N/A	0/9				N/A	0/24	
	females								
	males								
	legal entity								

ANNEX 3: CAP PROGRESS UPDATE

(See separate document)