

## TURNING PRO: RAISING THE LEVEL OF PROFESSIONALISM IN UKRAINE'S LEASING INDUSTRY

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With the leasing market in Ukraine gaining momentum, it was time for leasing specialists to have their own professional society and a certification program. However, IFC was concerned that the program would be prone to corruption and would not be sustainable. We learned that with proper planning and the right partners, however, these potential obstacles can be overcome.

### Introduction

In 2005, leasing companies in Ukraine were continually telling us that their main impediment to growth was the lack of professional staff. The leasing market in the country was growing at a tremendous rate: the overall leasing portfolio had more than doubled from year to year, reaching almost \$350 million by the end of 2005, and the number of jobs in the leasing market was experiencing similar growth.<sup>1</sup> It was therefore increasingly difficult to find qualified professionals who had experience in leasing. Raising the level of professionalism and status of leasing specialists seemed to be the answer to this problem, and local certification was one way to do it.

IFC management was initially reluctant to organize a *certified* training program because of two concerns: that the training would not be sustainable without a "local champion," and that certification programs pose reputation risks, as they are inherently prone to corruption.

IFC's Ukraine Leasing Development Project (the Project), an advisory services project implemented by the Private Enterprise Partnership for Central & Eastern Europe (PEP CEU) and funded by the Netherlands, took up the challenge and found a way to establish the Ukraine Certified Leasing Professional (UCLP) Program, which is now running successfully in its second year.

**Lesson Learned #1:** *In countries prone to corruption, you need to create a system of checks and balances.*

A primary concern was that the education system in Ukraine is regarded as highly corrupt and that a certification program could be tampered with and possibly tarnish IFC's image. To minimize this risk, IFC management encouraged the Project not to be formally engaged in the certification program, but to support a partner, in this case the USAID Access to Credit Initiative.

Together with the U.S. Agency for International Development (USAID), we designed a program based on the course offered by the U.S. Certified Lease Professional Foundation. It consists of 12 days of training and three days of exams, with each exam preceded by four days of training. The administrative structure

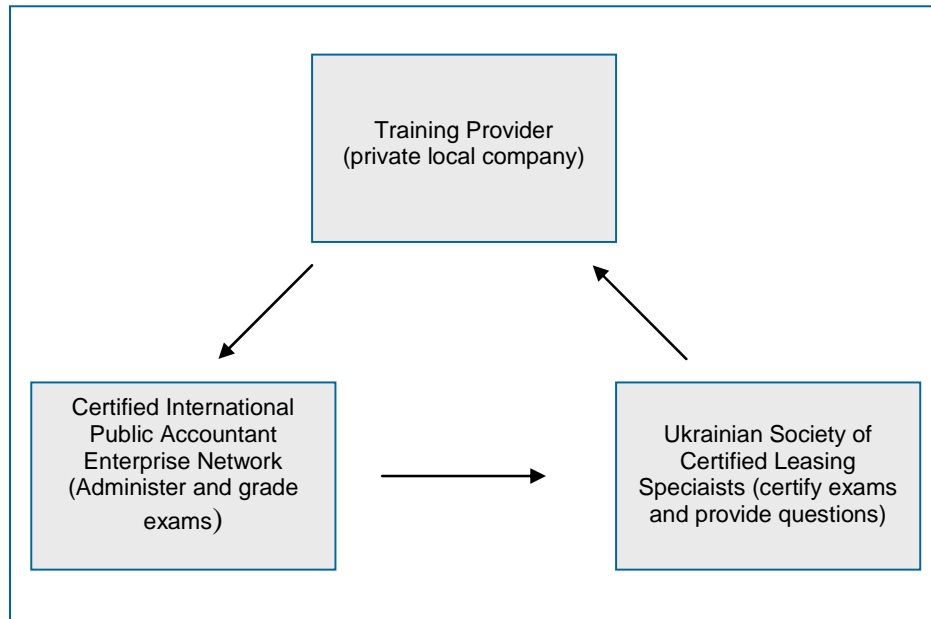
#### The goals of the Ukraine Certified Lease Program include:

1. Giving leasing specialists an opportunity to actively engage in their own **professional development**;
2. Providing leasing companies with a structured and measurable program to increase the **knowledge and skills** of their employees;
3. **Establishing internationally accepted standards for the knowledge and skills** necessary to be successful in Ukraine's leasing;
4. Allowing industry members to **establish moral and ethical standards for the industry**; and
5. Making leasing specialists feel part of a **profession and elite network**.

<sup>1</sup> The overall lease portfolio in Ukraine is expected to reach \$1 billion by the end of 2007. The number of employees is expected to reach 2,050.

of the program, however, differs from that in the United States, where the Certified Leasing Program (CLP) Foundation acts as a “one-stop-shop” – it administers the CLP; offers training to prepare for the exam; prepares, monitors, and grades the certification examination; and publishes a textbook for use by candidates as well as for general leasing educational purposes.

In Ukraine, the IFC team and USAID implemented a structure with checks and balances so that not all exam elements would be governed by one organization:



a) The training provider is a commercial organization responsible for providing the training which should allow the participants to pass the exams. Training and the exam process are kept separate to prevent corruption, or allegations of corruption.

b) The Ukrainian Society of Certified Leasing Specialists was set up in 2006 to be a broad analog to the U.S. CLP Foundation, and it serves as the main certifying body in Ukraine. Candidates who have passed all exams will automatically receive the designation of Certified Leasing Specialist (CLS) and will qualify for membership in the Society. To maintain the CLS designation and remain a member in good standing, individuals will simply need to pay annual membership dues (the first dues are payable 12 months after an individual becomes certified by the Society) and uphold the code of ethics, which includes a commitment to continuing education. Note that the Society is a thoroughly independent organization, with no support from leasing companies that could potentially exert influence and harm its reputation.

c) The Certified International Public Accountant Enterprise Network (CIPA-EN), based in Ukraine, acts as a “back office” for the Society. Its work includes exam administration and grading, as well as development of the exam database and maintenance of the Society’s Web site. Most important, it ensures the integrity of the examination process. The exams are quite demanding, and the pass rate so far has been only 50 percent.

**Lesson Learned #2:** *You need a critical mass of leasing companies to sustain a viable training program.*

The size of the market becomes critical for attracting a training provider. Since there are high fixed costs in creating the program – training the trainers, creating materials customized for the local tax and legislative environment – yet relatively low variable costs for administering the training, the training provider needs a higher volume of participants to make attractive profits. In this case, the training provider is an accounting firm that has hopes of attracting new business via the training program, in addition to providing a small revenue stream for the company.

By our calculations, a leasing industry of about 1,000 employees is enough to sustain the program, since you will need a constant influx of leasing professionals to contribute to the Society of Certified Leasing

Specialists, and a large potential market of trainers (all current trainers are graduates of the program and members of the Society) to attract a training provider. In 2007, three rounds of trainings were held and about 150 people participated. The number of rounds provided will probably increase in 2008 as the program gains momentum and a reputation in the industry.



### **Lesson Learned #3:** *Build Alliances to Ensure Success.*

To ensure sustainability and relevance to the market, it was crucial to root this program firmly in the country by working with local partners from the outset. In Ukraine the parties involved in developing the program included local leasing companies, the Ukrainian Union of Lessors, USAID, IFC, and the U.S. CLP Foundation. The presence of the CLP Foundation ensured the establishment and continuity of a quality program that incorporates international best practice and provides value for the industry.

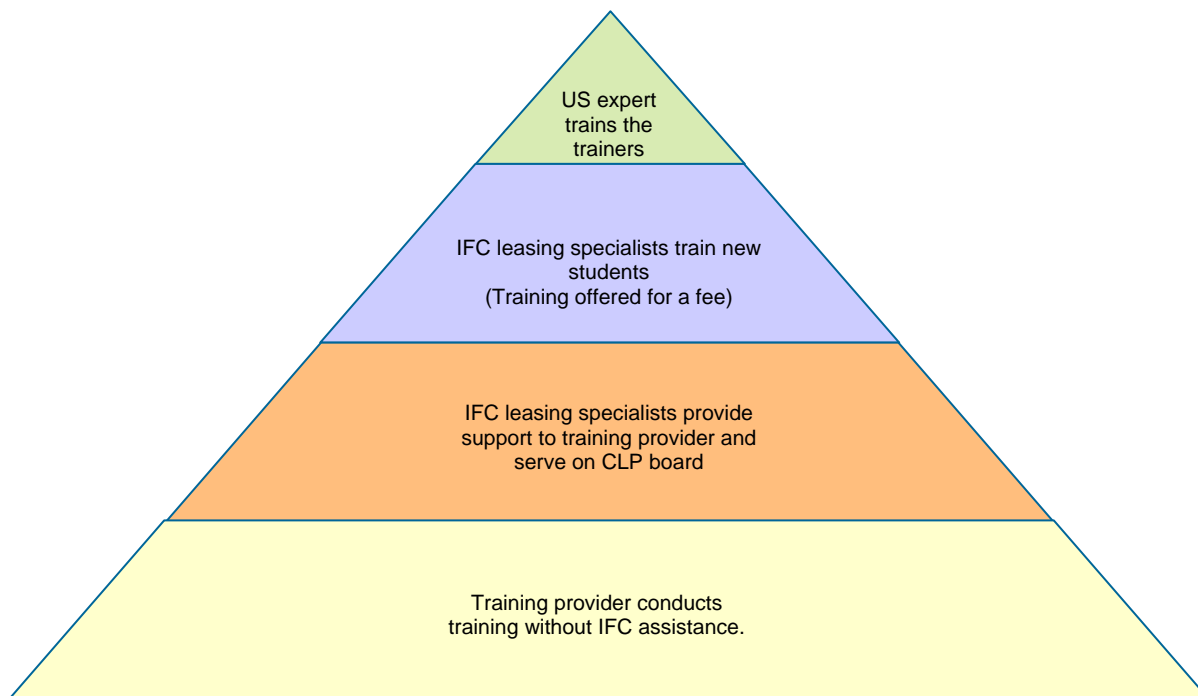
All stakeholders were involved in designing the exam structure and choosing the training provider. The training provider was selected by a public announcement in which private companies were requested to become training providers. The trainer provider received a success fee during the initial period of the program, based on the number of participants who passed the exams. This fee was paid by USAID and was focused mainly on compensating for the invested time and costs which were made in the initial phase of the program.

### **Lesson Learned #4:** *Allow for Transition.*

The first round of training was provided by a U.S. trainer from the CLP Foundation and paid for by USAID. Four specialists from the IFC team took part as trainees, and all four passed the exams. Three of these specialists were then retained as trainers for the second round (see figure below). The first round was provided free of charge, while the second round was offered for a fee, which was partially subsidized by USAID.

From the start of the program, the IFC team had a clear exit strategy in place to ensure sustainability. The strategy included the following tasks: selecting and training the local training provider; monitoring and controlling the quality of the training; establishing the Society of Certified Leasing Specialists; ensuring cooperation with CIPA-EN; and promoting awareness of the training program. Currently all these tasks have been performed, and the training program is now running independently, although monitoring will continue to take place until the project ends in Spring 2008. Three IFC specialists are also active in the Society, and one was elected to serve on the Society's board.

## Expanding the Trainer Base: A Top-Down Approach



### Conclusion

While the program seemed a daunting and overwhelming task at first, it proved more manageable once initial management skepticism was overcome, the structure of the program was designed, and the partners were involved. The certification program is now in its second year, has trained over 150 people, and has gained a good reputation. It is also a good source for leasing companies to recruit and retain professional staff. As Dmitriy Bogodukhov, the General Director of IT Leasing and recently elected President of the Ukrainian Society of Certified Leasing Specialists, said, “In the short term, this certification program helps to improve the skills of our own employees, but more importantly, it is useful for building a critical mass of professionals in the leasing industry, and it will create a foundation for sustainable growth in the leasing business in Ukraine.”

Project’s Web site: [www.leasing.org.ua](http://www.leasing.org.ua)

Training provider’s Web site: [www.kompas.com.ua](http://www.kompas.com.ua)

### About the Authors

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