

Signing of Japanese ODA Loan Agreement with Ukraine for the Economic Reform Development Policy Loan

Stabilizing the International Community through Assistance for Economic Reform in Ukraine

On July 17, the Japan International Cooperation Agency (JICA) signed a Japanese ODA loan agreement with the Government of Ukraine in the capital of Kyiv to provide a Japanese ODA loan of up to 10 billion yen for the Economic Reform Development Policy Loan.



Hideaki Domichi (left), JICA senior vice-president, and Pavlo M. Sheremeta, minister of Economic Development and Trade, after the signing

Although Ukraine achieved an average of 7.5 percent real GDP growth from 2001 to 2008, the economic recession in Western Europe and Russia triggered by the Eurozone debt crisis has slowed economic growth, which has stagnated since 2012. The real GDP growth dropped to 0.3 percent in 2012, followed by zero growth the following year. In response to a resolution by the Cabinet of Ministers of Ukraine to suspend talks on free trade agreement with the EU in November 2013, anti-government protests erupted. Then in February 2014, the protests grew larger, leading to the fall of the government. During the course of the political unrest, Ukraine struggled to borrow from international markets, and faced the problems of falling foreign currency reserves and burgeoning sovereign debt. Meanwhile, many Western European countries depend heavily on Russia for natural gas imports. More than half of the natural gas for Western Europe is produced in Russia and supplied through pipelines in Ukraine. Given its geographical situation, Ukraine—located between Western Europe and Russia—is of high importance to the political and economic conditions in the European region as a whole.

The Government of Ukraine has tackled its economic challenges by introducing reform policies: transition to a floating exchange rate, introduction of inflation targets, reduction of expenditures and implementation of other policies. However, despite these reform efforts, problems such as falling foreign currency reserves still remain. In response to the Ukrainian crisis, the IMF, the World Bank, the EU, the U.S. and other members of the international community are committed to providing support.

The Government of Japan has also joined in these efforts, with Prime Minister Shinzo Abe announcing a support package of up to 150 billion yen to Ukraine during the G7 meeting held in the Hague on March 24. The Economic Reform Development Policy Loan is extended as a part of the package.

Co-financed with the World Bank, this loan will assist the reconstruction of Ukraine's financial situation given the economic crisis the country faces. The loan will support economic reforms whose objectives are to: 1) Promote good governance, transparency and accountability in the public sector, 2) Strengthen the regulatory framework and reduce costs of doing business, and 3) Reform inefficient and inequitable utility subsidies while protecting the poor.

Under the new president, elected in the presidential election on May 25, 2014, the Government of Ukraine is now actively implementing reforms to stabilize the country. Providing support to the efforts and financial stabilization of Ukraine will, in turn, contribute to the stabilization of Europe as well as the international community as a whole.

Related Link:

- [Japan's Assistance to Ukraine \(External link, PDF\)](#)

Reference

1. Terms and Amount of Loan

Project title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Grace period (years)	Procurement
		Project	Consulting services			
Economic Reform Development Policy Loan	10,000	0.95	-	20	6	General untied

2. Executing Agency

Ministry of Economic Development and Trade of Ukraine
Address: 01008 Kyiv, 12/2 Hrushevskoho Str., Ukraine

3. Planned Implementation Schedule

(i) Completion of project: July 2014 – with completion of the loan disbursement

(ii) Consulting services: Not planned

(iii) Tender announcement of initial procurement package for international competitive bidding on project construction: Not planned