

Signing of Japanese ODA Loan Agreement with Ukraine for the Economic Reform Development Policy Loan (II): Contributing to economic and fiscal stabilization in Ukraine through support for institutional reform

On December 4, the Japan International Cooperation Agency (JICA) signed a loan agreement with the Government of Ukraine in Kyiv to provide a Japanese ODA loan of up to 36.969 billion yen for the Economic Reform Development Policy Loan (II).

From 2001 through 2008, the economy of Ukraine reached a high level of growth, averaging 7.0 percent real GDP, but the economic downturn in Russia and the EU since 2012 caused a drop to 0.2 percent in 2013. In addition, the country underwent large-scale civil unrest in February 2014 along with a change in administration resulting from anti-government protests that erupted in response to a cabinet resolution to suspend a free trade agreement with the EU in November 2013. As the situation in the country deteriorated further, the international financial markets lowered the credit rating of Ukraine, exports to Russia dropped, and there were an outflow of capital and a reduction in the productivity of major industries. As a result, the country has suffered a loss in foreign currency reserves while facing expanded sovereign debt.



Signing ceremony

Given these circumstances, the governments of the Group of Seven (G7) and EU nations as well as international agencies such as the International Monetary Fund and the World Bank have announced support for Ukraine. As one of the G7 nations, the Government of Japan announced its support in cooperation with the international community, and has provided Japanese ODA loans for the Economic Reform Development Policy Loan (10 billion yen) and the Bortnychi Sewage Treatment Plant Modernization Project (108.293 billion yen).

Co-financed with the World Bank, this loan supports the next phase of the Economic Reform Development Policy Loan and will support economic growth in Ukraine and fiscal stability by: i) promoting good governance while improving transparency and accountability in the public sector, ii) strengthening the legal framework and reducing costs for business, and iii) implementing reforms for assistance and measures for the poor in the inefficient and biased public sector. This loan is a part of additional support to Ukraine that the Government of Japan announced in January 2015.

In January 2015, the Government of Ukraine announced its Strategy on Sustainable Development "Ukraine – 2020," which includes 62 priority areas of reform, including fighting corruption, deregulation and the development of entrepreneurship, the improvement of the tax system, and the judiciary and law enforcement, and is moving forward with implementation. It is expected that this loan will help reforms in the areas of corruption prevention, transparency in public finance management, a better business environment, tariff increases for public services to market levels and restructuring the gas sector.

In addition to this loan, JICA has been promoting further institutional reforms by the Government of Ukraine by providing corruption prevention training and training for capacity building of the legislative government and administrative agencies to share experience and knowledge that Japan has.

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 (II)	36,969	Yen LIBOR +5bp	-	20	6	General untied

2. Executing Agency

Ministry of Finance

Address: 12/2, Hrushevskoho Str., Kyiv, Ukraine 01008

3. Planned Implementation Schedule

(1) Completion of project: January 2016 – with completion of the loan disbursement

(2) Consulting services: No hiring of consultants is planned.

(3) Tender announcement of initial procurement package for international competitive bidding on project construction: N.A.