



Kyiv  
International  
Economic  
Forum

2015

# Ukraine: From Third World to First

International Financial Aid to Ukraine: Will it Restart the Economy?

8 October 2015

Ukraine, Kyiv, Hilton Kyiv Hotel

## **SPEAKERS:**

- **Erik Reinert**, Professor at Norwegian Institute of Strategic Studies
- **James K. Galbraith**, Lloyd M. Bentsen Jr. Chair of Government/Business Relations at the Lyndon B. Johnson School of Public Affairs, the University of Texas at Austin
- **Jerome Vacher**, IMF Resident Representative in Ukraine
- **Artem Shevalyov**, Deputy Minister of Finance of Ukraine on the European Integration
- **Victor Galasyuk**, Chairman of the Parliamentary Committee on Industrial Policy and Entrepreneurship, Verkhovna Rada of Ukraine
- **Dmytro Sologub**, Deputy Governor of the National Bank of Ukraine

## International micro-financial aid to Ukraine 2014 & 1H 2015:

Creditor/investor	Sum (plan)	Received in 2014	Expected tranches
EFF program with <b>IMF</b> (until 2018)	SDR12.35bn (\$17.5bn)	1st tranche - SDR3.546bn (\$5bn)	2015: second, third and fourth tranches worth SDR1.182bn each (\$1.667bn) – June 15, September 15 and December 15; 2016-2018: 12 tranches worth SDR5.256bn (SDR438mln each)
FS DPL and DPL with <b>World Bank</b>	\$3bn	\$0.75bn (DPL- I <sup>1</sup> to the national budget), \$0.5bn (FS DPL- I <sup>2</sup> to the national budget)	2015: to the national budget - \$0.5bn (DPL-II), \$0.5bn (FS DPL-II); investment projects - \$0.3-0.5bn <sup>2</sup> ; from IFC - \$0.4bn
Macro-financial aid (MFA) from <b>EU</b> :			2015: EUR0.25bn (MFA-I <sup>3</sup> ), EUR1.2bn (two tranches of MFA-III); 2016: EUR0.6bn (one tranche of MFA-III)
MFA-I	€0.61bn	€0.36bn	
MFA-II	€1bn	€1bn	
MFA-III	€1.8bn		
<b>EBRD</b>	€5bn until 2020	€1.2bn	About €1bn annually
<b>EIB</b>	€3bn for 2014-2016	Agreements signed on three projects for €750mln	About €1bn annually

<sup>1</sup> - DPL – Development Policy Loan

<sup>2</sup> - FS DPL - Financial Sector Development Policy Loan

<sup>3</sup> - MFA-I funds are to come to the national budget soon

©Source: NBU

International **micro-financial** aid to Ukraine until 2020:

**Almost \$34 billion**

## EU financial support for the development of Ukrainian private and government sector 2020/2025:

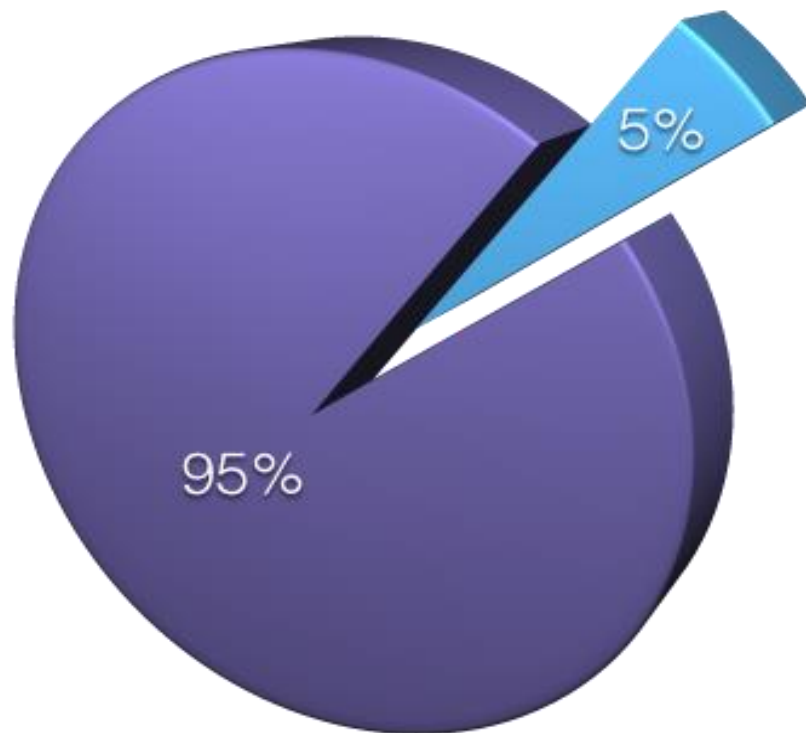
### Private sector:

- DCFTA FACILITY: **€200m of grants** and access to **€1bn of loans** until 2025, starting March 2015, predominantly guarantees and technical assistance linked to EU-backed loans **for SMEs**
- EU SURE: **€55m of grants** to central and local **authorities** to develop SMEs policies, **EBRD** business support centers in 15 regions
- NIF: up to **€25m of grants** predominantly linked to **€225m EU-backed loans** until 2020 for SMEs

### State sector:

- EU-UKRAINE AAP + UMBRELLA FUND: **€180-260m of grants annually** (over 1bn) until 2020, for 2015 – **€200m**
- From PREVIOUS PROGRAMMING period: **€486.5m**

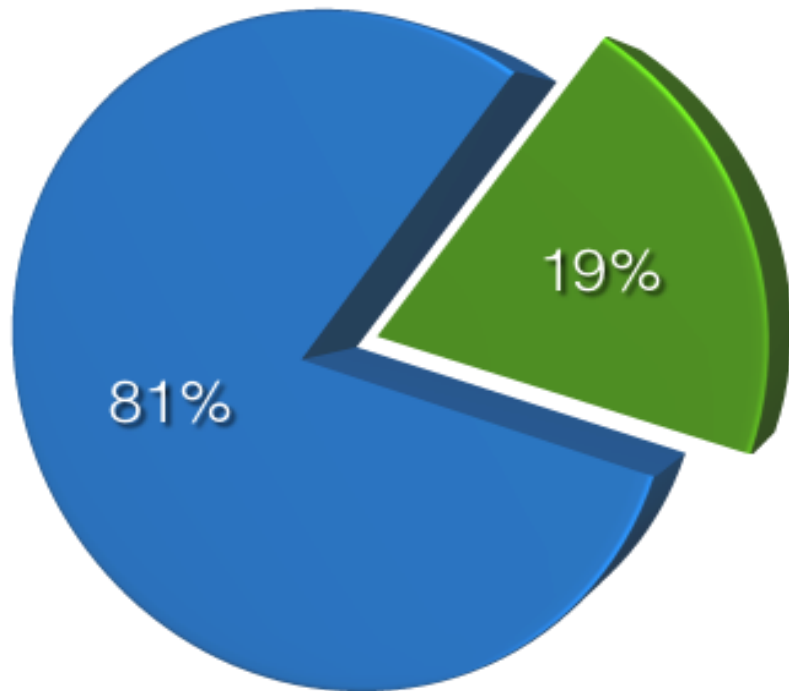
## International loans vs. grants for the **STATE** sector of Ukraine until 2020:



Up to **\$34bn** (95%) of low-interest long-term loans (IMF, EFIs & EU)

Up to **€1,5bn** (5%) of grants (EU)

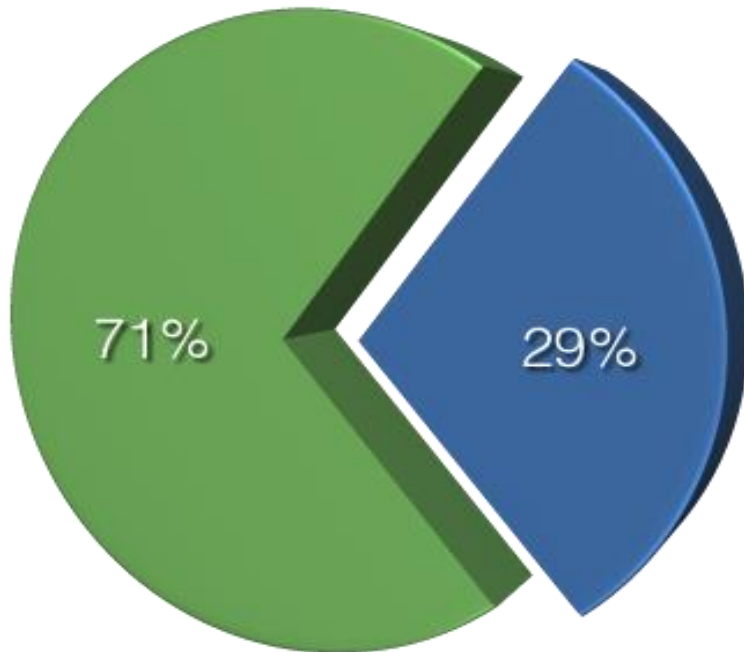
## International **loans vs. grants** for the **PRIVATE** sector of Ukraine until 2020/2025:



**€1,2bn** (81%) of **loans** (EU, EBRD & EIB) under Ukrainian market interest rates (up to 16% in EUR/USD and up to 36% in Hryvna)

**€280m** (19%) of **grants** (EU, EBRD & EIB)

## International **standalone vs. loans-tied** grants for the **PRIVATE** sector of Ukraine until 2020/2025:

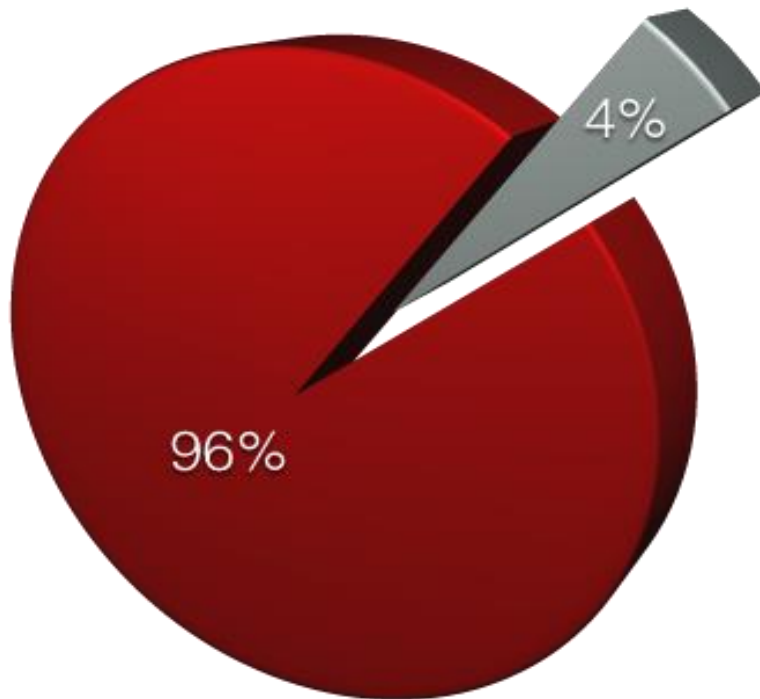


Up to **€80m (29%)** of **independent** grants for SMEs

**€200m (71%)** of grants **conditional** to loan obtainment



## International aid to **state vs. private** sector of Ukraine until 2020/2025:



Up to **\$35,7m** (96%) of loans and grants for the **state** sector (EU, IMF & EFIs)

**€1,48m** (4%) of loans and grants for the **private** sector (EU and EFIs)

Can the international financial aid  
re-launch Ukraine's economy?