

Verkhovna Rada Ratifies the Memorandum with European Union on Financial Aid

On May 20, 2014 Ukrainian parliament – Verkhovna Rada – adopted the law on ratification of memorandum with European Union. The Draft Law no. 0085 promoted by the members of the parliament listed the conditions, under which Ukraine as the Borrower and The National Bank of Ukraine as the Agent of the Borrower receive macro financial aid of EUR 1 billion from European Union, the Lender.

June 23, 2014 (FPRC) -- The new law ratifies the memorandum between Ukraine and European Union signed on April 28, May 12, 2014 in Kiev and next on May 13, 2014 in Brussels, as well as the Loan Agreement between European Union, the Creditor, and Ukraine, the borrower, signed on April 24, 2014 in Luxembourg, on May 12, 2014 in Kiev and subsequently on May 13, 2014 in Brussels. The law received support from 229 members of the parliament, with 226 votes constituting a quorum.

The total amount of EUR 1 billion of macro financial aid will be paid in two tranches. The first tranche of EUR 500 million is to be paid in the near future. The second tranche should follow in the next few months (not earlier than 3 months since the ratification of the memorandum).

However, according to the new law, the second tranche will be issued only if the cooperation between Ukraine and the International Monetary Fund (IMF) is successful and structural reforms are implemented in Ukraine. The interest rate of the credit is 2% annually and the payment period should not exceed 15 years.

The signed memorandum is one of few financial aids and development assistance offered by the European Union. According to the EU document 'Support Package for Ukraine', Ukraine can apply for a total amount of EUR 11 billions of support in the next few years, including EUR 1,4 billion of development assistance, which can be transferred to Ukraine in the form of grants during the following 7 years, and up to EUR 8 billion for reconstruction and development from the European Bank and the European Investment Bank. The financial aids combined with the perspective of the European Union market opening more for new countries provide Ukrainian entrepreneurs with a chance to grow their businesses and the Ukrainian economy to thrive under the new conditions.

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