

How much will the next IMF loan cost Ukraine

12 września 2019

An IMF delegation is visiting Ukraine again. Within two weeks, it is expected to discuss a new credit line to the country for a period of three to four years.

The head of the Ministry of Finance of Ukraine Oksana Markarova announced that Kiev is awaiting for a four-year \$ 10 billion financing program, of which the authorities want to get 2 billion this year. At the same time, statements were made from the Presidential Office that the country's leadership is counting on this program to be the last. According to Prime Minister Aleksey Goncharuk, a state development program has been developed, as a result of which the state will no longer need the help of external creditors.

However, with all the optimism of the Ukrainian authorities, it is worth noting that all previous IMF financing programs were withdrawn due to Ukraine's failure to fulfill its obligations. Among the withdrawn financing programs: the IMF's stand-by program from 2018 for a period of 14 months and a volume of about \$ 4 billion (\$ 1.4 billion received), the four-year Extended Financing Facility (EFF) program from March 2015 (it was stopped by the IMF ahead of schedule in 2017 due to Ukraine's failure to create an Anti-Corruption Court and introduce a market price for gas for the population), stand by 2014 program with a declared volume of \$ 16.5 billion (Ukraine received \$ 7.3 billion). This time, Oksana Makarova expresses optimistic confidence that this program will be the first to be completed.

This time, Kiev officials have all reasons to expect the implementation of a lending program: the country's president, Vladimir Zelensky, announced his readiness to fulfill the

IMF's main requirements ignored by his predecessor.

And the fulfillment of the IMF criteria has begun. On September 5, the Supreme Anti-Corruption Court began to function in Ukraine, where all cases of bribes in the amount of more than \$ 40 thousand will go.

Other significant IMF requirements not met by Petro Poroshenko were the large-scale privatization of state-owned enterprises and lifting of a moratorium on the sale of agricultural land. This was announced in February by IMF Resident Representative in Ukraine Yosta Lyungman. „Among what needs to be done is to focus on land reform so that you can buy agricultural land. Privatization of state-owned enterprises is also necessary so that the private sector can make an appropriate contribution,” Lyungman said at an investment conference in Kiev.

As part of the implementation of these requirements, President Volodymyr Zelensky instructed the government until December 1 to „transfer at least 500 enterprises to the State Property Fund of Ukraine for privatization through the auction system”, as well as develop and approve a bill repealing the moratorium on the sale of agricultural land.

Many experts expressed confidence that against this background, Kiev will definitely receive new loans from the IMF. But whether this will benefit the economy is another question.

After all, the procedures for preparing enterprises for bidding require multi-million expenses, but the profit from this is very doubtful, since many are burdened with lawsuits by oligarchs, and they also experience the acute problem of components previously supplied from Russia.

And agricultural land is a big question. Their prime cost is much lower than the average European. Therefore, the same Polish farmers will certainly buy them with joy. And what is the profit of this for the Ukrainian budget?

But Ukraine is forced to follow the IMF's lead, as in the coming years the country expects a peak in debt payments that cannot be serviced by the state budget alone. In addition, other investors are targeting the IMF, the expert added.

So the country's leadership can only look with optimism into the future, crawling into an even greater debt pool.

Authorship: Vitaliy Timoschuk

Source: WolneMedia.net