

New IMF funds for Ukraine and 14 months for making an important decision

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„The decision of the fund is an important confirmation of the recognition of our undoubted progress in the field of macroeconomic stabilization and confirmation of the success of the reforms.” So described the President of Ukraine Petro Poroshenko on his Facebook page expected 3.9 billion euros of allocations from the EU. „Victory”, shouted the representatives of the Ministry of Finance all in the same Facebook. „Betrayal” – said financial analysts.

So, Victory or Betrayal and whether to worry about the financial well-being of Ukraine, or everything is going well.

The International Monetary Fund approved a program of assistance to Ukraine in the amount of \$ 3.9 billion for a period of 14 months. This program is provided in stand-by mode for the replacement of a four-year program from 2015, which was not implemented to the end. Then Kiev was approved to allocate 17.5 billion dollars, of which the country actually received 8.7 billion. The remaining funds were not allocated due to non-fulfillment of the conditions set by Kiev. The main problem was the creation of an anti-corruption court.

In the meantime, the first tranche of \$ 1.4 billion is expected to arrive.

And now about the stand-by program. This program was the result of an agreement between Kiev and the IMF due to the inability to fulfill the conditions set. And in this program it is clearly stated for what needs Ukraine can spend the allocated funds: only on payments for servicing sovereign debt, which Kiev is not able to service on its own.

Currently, Ukraine's public debt exceeds \$ 76 billion. This is about 85% of GDP. Last year alone, debt increased by more than five billion dollars.

And now about the reasons for the allocation of IMF funds. Analysts with a very high degree of probability predict a financial default for Ukraine in the first half of 2019. And presidential elections are scheduled for March.

Many agree that funds are allocated to ensure that the upcoming elections are not held against the backdrop of default, but in the most relaxed financial environment.

And after they are held, the new authorities will have to decide what to do next. When responsible people come to power, mechanisms must be worked out for raising the level of national reserves. This was already stated by the head of the National Bank of Ukraine, Jacob Smoliiy.

Otherwise, there is a long-known way. War writes off all debts. There is an opportunity to provoke Russia by dragging it into a war and exposing it as an aggressor. The active mobilization and collection of reservists within the framework of the imposed martial law and the statements of the Ukrainian authorities about the intention to send another group of military ships through the Kerch Strait speak in favor of this version.

With this scenario, the scenario passed by Russia at the beginning of the 20th century, when a „government in exile” was organized in France, could be repeated. If the Ukrainian authorities take this path, they risk nothing. All personal capital has long been withdrawn abroad. It remains only to choose a country from NATO, ready to provide asylum.

Such a scenario of events will, on the one hand, allow all debts to be written off to the aggressor. And on the other – get a number of economic and political consolation prizes.

But no matter what option the new authorities choose, they have very little time. So: either a default or war and 14 months to make a decision.

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