
Ukraine bailout loan depends on policy - IMF

Tuesday, 27 Oct, 2009

Bloomberg quoted the International Monetary Fund said Ukraine government must endorse a package of policy steps and veto a wage and pension law approved by lawmakers before it gets the fourth chunk of a USD 16.4 billion bailout loan.

The eastern European nation was due to receive USD 3.4 billion after a mission from the Washington-based fund arrived in Kiev on October 12th to review implementation of economic reforms.

The fund said the IMF is demanding an agreed policy package, including assurances that the wage and pension law approved by Ukraine parliament which is at odds with the objectives of the authorities program will be vetoed.

Ukraine is relying on the loan approved in November to stay afloat after the global recession and credit crisis undermined demand for exports such as steel and hammered its banking industry. The IMF program was suspended for three months this year because of government disputes over state spending.

Mr Olena Bilan an analyst at Kiev-based investment bank Dragon Capital said “Ukraine is interested in getting the IMF money as soon as possible as part of it is likely to be used to cover the state budget gap. I think it may take between two to three weeks for Ukraine to solve the issue.”

The loan program was renewed in May after Prime Minister Ms Yulia Timoshenko pledged to narrow the state budget deficit. The country has received USD 10.6 billion in loan payments to date.

Ukraine has failed to comply with the loan’s terms including raising natural gas prices for households and adopting laws needed to stabilize the financial system. At the same time, Ukraine parliament approved a law on October 20th increasing social payments, including the minimum wage in an effort to win voter support ahead of January 17th general elections.

The IMF said in July that reducing the budget deficit would be key to releasing the next tranche. The government will run a budget gap equivalent to 8.6% of gross domestic product this year. That figure excludes the cost of rebuilding the financial industry.

The IMF said “The mission found that the economic and financial situation in Ukraine is stabilizing as a result of policies under this program. Preserving these gains will require policy discipline and corrective actions in some areas.”

(Sourced from Bloomberg)

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