

# IMF announces new \$17 billion loan agreement for Ukraine

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Speaking Thursday from International Monetary Fund (IMF) headquarters in Brussels, IMF Managing Director Christine Lagarde announced that the IMF will extend an approximately \$17.5 billion bailout package to shore up Ukraine, which has been ruined by nearly a year of austerity measures and continuous fighting against pro-Russian separatists in the industrial eastern Donbass region.

Lagarde told reporters that the distribution of the loans and demanded reforms would be “a turning point for Ukraine.” Her announcement came on the same day as the declaration of a new ceasefire deal between Kiev and the separatists in east Ukraine, slated to go into effect Sunday morning.

Lagarde stated that the agreement would “support immediate economic stabilization in Ukraine as well as a set of bold policy reforms aimed at restoring robust growth over the medium term.” In Orwellian style, she claimed that the agreement was aimed at “improving living standards for the Ukrainian people.”

The response of the economic markets to the announcement of the agreement was largely negative, with the hryvnia falling as much as 3.1 percent against the dollar. The Ukrainian currency has lost 67 percent of its value against the dollar over the last year, severely impacting living standards while simultaneously increasing the gas-import bill and the budget deficit as well.

The agreement is a further restructuring of the Ukrainian economy in the favor of Western business interests and away from Russia. Eldar Vakhitov, an economist at Barclays Plc in London, told *Bloomberg Business*, “The new program announced today covers the shortfall, though does not go much beyond that. The government in Ukraine may now turn to bondholders to discuss the restructuring of debt.”

The Ukrainian economy, which is in shambles in the aftermath of last year’s US- and EU-backed coup, contracted by more than 7 percent in 2014 and is projected by the World Bank to contract by more than 2 percent in 2015. According to the State Statistics Service, inflation has risen dramatically from 1.2 percent at the beginning of 2014 to nearly 29 percent last month. The official unemployment rate stood at 9.9 percent at the end of September last year and is expected to rise to more than 10 percent this year.

The announcement of a new loan agreement is a prelude to the implementation of further shock therapy against the working class in Ukraine. The distribution of the tranche of loans is predicated on the implementation of deeper austerity measures that will devastate the living standards of the most vulnerable layers of society.

At the end of December the Ukrainian parliament adopted a 2015-2020 economic program with a series of policies aimed at significantly lowering the living standards of the working class throughout the country. It included “large-scale privatization of state property under the appropriate economic conditions” and the financial restructuring of the state-owned oil and gas company Naftogaz. (See: “Ukrainian government prepares extreme austerity measures”)

The state budget also calls for the layoff of 10 percent of the country’s public employees and the partial privatization of health care and education. The state will also implement large-scale reform of the coal mining industry closing 32 unprofitable coal mines, idling another 24 mines and selling off 37 mines between 2015 and 2019.

Under the terms of previous IMF agreements, the Kiev regime has already slashed subsidies for natural gas and home heating. The price paid by a regular

household for natural gas and home heating was raised to 56 percent and 40 percent, respectively, of the import price in 2014. Under the new budget adopted in December, the remaining price controls and subsidies would be eliminated, increasing consumer gas prices three to five times current prices.

The new loan agreement replaces the two-year Stand-By Arrangement of \$17 billion agreed to last year at the end of April. Of this previous loan, \$4.6 billion will be extended, bringing the total outstanding IMF loans to Ukraine to \$22 billion.

In addition to the IMF agreement, the European Union pledged \$2 billion in loans late last month and the United States government has also pledged \$2 billion. Further negotiations with Ukraine's sovereign debt holders to reduce borrowing costs along with other forms of assistance will bring total effective financial aid to \$40 billion over the next four years.

The Kiev regime is preparing to impose martial law in order to suppress any social opposition that may emerge to its program of austerity and militarization.

A bill was submitted in the parliament this week that would make "public denial or justification of the Russian military aggression against Ukraine in 2014-2015" a felony with a possible punishment ranging from a heavy fine to five years in prison. This bill, if approved, would criminalize any opposition to or criticism of the government's operations against the pro-Russian separatists.

In western Ukraine the government is experiencing widespread resistance to the military draft implemented in January. Anti-conscription protests have taken place in Kiev and elsewhere in the country, while draft-age Ukrainian men are reportedly avoiding the draft by fleeing across the western border into Romania.

"I do not want to fight, everyone is trying not to fight. Nobody wants to die for corrupted politicians in this regime or for this wretched Donetsk," a 50-year-old painter, who wished to remain anonymous, told ABC News.

It is estimated that only 6 percent of conscripts have voluntarily shown up to military service in the latest round of call-ups. Ruslan Kotsaba, a western Ukrainian journalist, was detained last week after calling for a boycott of the draft and faces 15 years in prison on charges of high treason.



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