

# IMF approves \$15.6bn Ukraine loan, part of \$115bn in global support

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**Online Desk:** The International Monetary Fund said on Friday its executive board approved a four-year \$15.6 billion loan program for Ukraine, part of a global \$115 billion package to support the country's economy as it battles Russia's 13-month-old invasion. The decision clears the way for an immediate disbursement of about \$2.7 billion to Kyiv, and requires Ukraine to carry out ambitious reforms, especially in the energy sector, the Fund said in a statement, reports Reuters.

The Extended Fund Facility (EFF) loan is the first major conventional financing program approved by the IMF for a country involved in a large-scale war. Ukraine's previous, \$5 billion long-term IMF program was canceled in March 2022 when the fund provided \$1.4 billion in emergency financing with few conditions. It provided another \$1.3 billion under a "food shock window" program last October.

An IMF official said the new \$115 billion package includes the IMF loan, \$80 billion in pledges for grants and concessional loans from multilateral institutions and other countries, and \$20 billion worth of debt relief commitments. Ukraine must meet certain conditions over the next two years, including steps to boost tax revenue, maintain exchange rate stability, preserve central bank independence and strengthen anti-corruption efforts.

Deeper reforms will be required in the second phase of the program to enhance stability and early post-war reconstruction, returning to pre-war fiscal and monetary policy frameworks, boosting competitiveness and addressing energy sector vulnerabilities, the IMF said. A senior US Treasury official said the program was "really solid" and included commitments from Ukrainian authorities to achieve 19 structural benchmarks over the next year alone.

IMF First Deputy Managing Director Gita Gopinath said the program faced "exceptionally high" risks, and its success depended on the size, composition and timing of external financing to help close fiscal and external financing gaps and restore Ukraine's debt sustainability. "Russia's invasion of Ukraine continues to have a devastating economic and social impact," she said, lauding Ukrainian authorities for maintaining "overall macroeconomic and financial stability" despite the strains of the war.

The decision formalizes an IMF staff-level agreement reached with Ukraine on Mar 21 that takes into consideration Ukraine's path to accession to the European Union after the war. Ukrainian President Volodymyr Zelensky welcomed the new funding. "It is an important help in our fight against Russian aggression," he said on Twitter. "Together we support the Ukrainian economy. And we are moving forward to victory!"

US Treasury Secretary Janet Yellen, who pushed hard for the past year to secure the IMF funding package and paid a surprise visit to Ukraine in February, said the package would help secure the country's economic and financial stability and set the foundation for long-term reconstruction. "I call on all other official and private creditors to join this initiative to assist Ukraine as it defends itself from Russia's unprovoked war," she said in a statement. "The United States will continue to stand by Ukraine and its people for as long as it takes."

The IMF said international financial institutions, private-sector firms, and most of Ukraine's official bilateral creditors and donors backed a two-step debt treatment process for Ukraine that includes adequate financing assurances on debt relief and concessional financing during and after the program. The broad support reassured the IMF, the senior Treasury official said, adding, "That was really helpful for them to see that we

really mean to be there for the long haul.”

## **LONGER WAR SCENARIO**

IMF official Gavin Gray told reporters the fund’s baseline scenario assumed the war would wind down in mid-2024, resulting in the projected financing gap of \$115 billion, which would be covered by the multilateral and bilateral donors and creditors. The fund’s “downside scenario” saw the war continuing through the end of 2025, opening a much larger \$140 billion financing gap that would require donors to dig deeper, he said.

Gray said the program had been designed to function, even if economic circumstances were “considerably worse” than the baseline. He said the countries providing financing assurances had agreed to work with the IMF to ensure Ukraine was able to service its debt to the IMF if larger sums if needed.

Ukraine will face quarterly reviews beginning as early as June, he said.