

**UKRAINE'S CONTRADICTIONARY NATURE OF COOPERATION
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Key words:

International Monetary Fund (IMF), lending mechanisms IMF, stand-by loan, mechanism extended credit, tranche IMF

In the current conditions of the world economy, the importance of international financial institutions that cover the social and economic sphere of management and is one of the important factors of economic development of countries, including Ukraine, which wants to restore growth prospects. Therefore, the study of Ukraine's cooperation with international financial organizations has considerable scientific and practical interest. The current state of Ukraine's development associated with significant external and internal factors. The result of the financial crisis led to decline in GDP, balance of payments issues, currency devaluation, significant reduction in commodity revenues, rapid decline industrialized index, inflation, massive unemployment, lack of social security, the collapse of the banking system. This enhanced political instability as a result of a temporary loss of control of the country. Ukraine to avoid default has asked for international financial institutions, particularly the International Monetary Fund (IMF). In the article is highlighted timeline of cooperation between Ukraine and the International Monetary Fund disclosed the meaning and role of credits of the institution in terms of economic and social reforms in Ukraine that are held to overcome the economic, financial, banking and currency crises. The conditions for granting tranche of the IMF stand-by system and extended loans for Ukraine and its impact on the economy is considered. Studied the advantages and disadvantages of Ukraine's cooperation with this financial and credit organizations, as well as possible effects on the economy during the lending in the future. The necessity of further development of cooperation between Ukraine and the IMF in the context of economic recovery, the financial and banking systems, social services is considered. Studied the advantages and disadvantages of Ukraine's cooperation with this financial and credit organizations, as well as the possible the effects on the economy during the credit in the future.

**СУПЕРЕЧЛИВИЙ ХАРАКТЕР СПІВПРАЦІ УКРАЇНИ
З МІЖНАРОДНИМ ВАЛЮТНИМ ФОНДОМ****Колобердянко І.І., Серболова З.С.***Запорізький національний університет
Україна, 69000, м. Запоріжжя, вул. Жуковського, 66***Ключові слова:**

Міжнародний валютний фонд (МВФ), механізми кредитування МВФ, кредит stand-by, механізм розширеного кредитування, транш МВФ

У сучасних умовах розвитку світового господарства зростає значення міжнародних фінансових організацій, які охоплюють соціальну й економічну сфери господарювання та є одними із важливих чинників забезпечення економічного розвитку країн, зокрема України, яка прагне відновити перспективи зростання. Тому дослідження співпраці України з міжнародними фінансовими організаціями має значний науковий і практичний інтерес. Сучасний стан розвитку України пов'язаний з викликами зовнішнього та внутрішнього характеру. Результатом фінансово-економічної кризи стали зниження ВВП, проблеми платіжного балансу, девальвація національної валюти, значне скорочення сировинних доходів, стрімке падіння індексу промислового розвитку, зростання інфляції, масове безробіття, відсутність соціальних гарантій, крах банківської сфери. Усе це посилено політичною нестабільністю в результаті тимчасової втрати контролю над частиною території країни. Україна з метою уникнення дефолту звернулася за допомогою до міжнародних фінансових інституцій, зокрема Міжнародного валютного фонду (МВФ). У статті висвітлено хронологію співпраці України з Міжнародним валютним фондом, розкрито значення та роль кредитів фонду цієї інституції в умовах проведення в Україні економічних та соціальних реформ, виходу з економічної, фінансово-банківської та валютної криз. Розглянуто умови надання траншів МВФ за системою stand-by та розширеного кредитування для України та їх вплив на економіку.

Досліджено переваги й недоліки співпраці України із цією фінансово-кредитною організацією, а також можливі результати впливу на економіку під час кредитування в майбутньому. Обґрунтовано необхідність подальшого розвитку співпраці України з Міжнародним валютним фондом у контексті відновлення економіки, фінансової та банківської систем, соціальної сфери.

Statement of the problem

Ukraine became a member of the IMF as a result of the signing of the Law of Ukraine “On accession of Ukraine to the International Monetary Fund, the International Bank for Reconstruction and Development, International Finance Corporation, the International Development Association and the Multilateral Investment Guarantee Agency” on June 3, 1992. Since 1994, Ukraine has actively been cooperating with the IMF using its financial and technical resources to achieve macroeconomic stability and create the necessary conditions for economic reforms. The ambiguity of the impact of the loans granted on the Ukrainian economy raises discussions about the need for further cooperation with the organization. In addition, the terms of the tranches offered by the International Monetary Fund to Ukraine are contradictory.

Analysis of recent studies and publications

Today, cooperation between Ukraine and the IMF is one of the most important problems, which discussed a wide range of politicians, analysts and public figures. For example, O. Ya, Dolinowska [1] examined the results of cooperation between Ukraine and the IMF, considered the main projects and analysed the process of crediting Ukraine IMF. G. V. Markiv [4] considered trends and prospects of financial relations between Ukraine and the IMF. B. V. Sobolev [6] studied ways of improvement of cooperation between Ukraine and the IMF. V. P. Kolosova [7] studied the chronology of relations between Ukraine and the IMF and the purpose of the loan proceeds for each period. The reports and the analytical work of the Foundation's employees also play an important role. The focus is still paid to the economic

merits' tranches. However, there was a need to explore more deeply the relationship tranches of IMF and its impact on social development of the Ukrainian state, and the need to obtain the next tranche.

Objectives of the article

The objective of the paper is to analyse Ukraine's cooperation with the IMF and its impact on the population, to identify prospects for further cooperation between Ukraine and the IMF.

The main material of the research

From 1992 to 1994, Ukraine's cooperation with the IMF provided advice and technical assistance for the formation of domestic monetary and banking systems, including the functions and structure of the National Bank of Ukraine, the activities of financial institutions, the structure of the currency market, the introduction of the national currency and others. From 1994 to 2019 the IMF Ukraine relations are based on three lending mechanisms:

1. Systemic Transformation Facility.
2. Stand-by Arrangements.
3. Extended Fund Facility.

The main purpose of stand-by arrangements and extended fund facility is to assist member states in implementing IMF macroeconomic stabilization programs and structural reforms [1].

Currently, the International Monetary Fund is the main creditor of Ukraine (Table. 1).

Table 1 - The financial condition of Ukraine in the IMF as of July 31, 2018

Indicators	SDR million.	Quota%
General Resources Account		
Quota	2 011.80	100.0
Foreign exchange holdings (exchange rate)	9 790.56	613.84
State reserve tranche	0.24	0.01
SDR		
Net cumulative allocation	1 309.44	100.0
Holdings	645.15	49.27
Outstanding loans and tranches		
Terms of SBA financing	1 600.67	79.56
Terms of EFF funding	6 178.26	307.10

Source: constructed according to [2,3]

It should be noted that much of the funds raised from the IMF, was used to stabilize the financial situation in the country, increase national reserves, funding deficits, external debt and so on. Moreover, loans are non-inflationary, i.e. inflation to reduce the GDP does not affect the amount of the loan. Thus, these loans have been provided in this difficult time are beneficial for Ukraine because without them the size of the economic crisis and its consequences would be worse for our country. Formation of IMF loan through international reserves made it possible to maintain the stability of the

currency, to successfully carry out a monetary reform, eventually introduce full convertibility of the national currency on current operations. In addition, increasing foreign exchange reserves and their high level is a testament to the stability of the financial system, which increases the level of credibility. According to international practice, lending by the IMF (concessional versus market) gives countries some time to implement structural adjustment policies and reforms that will make it possible to restore the conditions for sustainable economic growth.

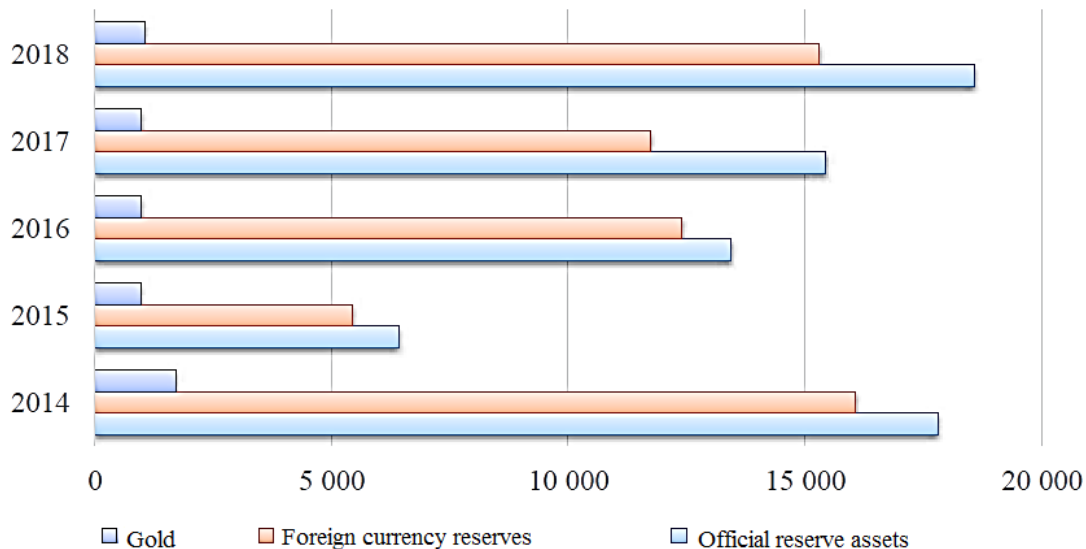


Fig. 1. The international reserves of Ukraine for 2014-2018 years mln. USA

Source: constructed according to [5]

As shown in Fig. 1, although Ukraine's international reserves increased significantly by using the resources of the Fund, they should be used as a resource for the implementation of effective, socially and economically beneficial long-term development programs [4, p.13].

The appropriateness of borrowing from the IMF depends on their purpose. The country can attract loans from the Fund for the modernization or creation of new technologies, business development, improvement of socio-economic conditions, respectively, such lending is extremely profitable due to low interest rates on loans. Another method is the use of credit consumption, i.e.

country sends funds to pay salaries, pensions and arrears to employees of state enterprises. In this situation, new loans do not help solve the existing problems of the state budget and worsen the socio-economic situation in the country. Another option is the need to attract credit servicing and repayment of existing debt. This option is attractive only if certain loan has better conditions than the previous one, that is, there is a restructuring of existing debt.

In cooperation of our country with the International Monetary Fund within the lending programs are 6 periods (Table 2) [7].

Table 2 - Periods of Ukraine's cooperation with the IMF

Steps	funding Programs	Credit sum
The first phase (1994-1995)	System transformational loan	498,7 million SDR (763,1 million dollars)
The second phase (1995-1998 years)	The three-year program «Stand by»	1318,2 SDR (1935 mln. USD)
The third phase (1998-2002)	EFF program	1,193 billion SDR (1591 mln. USD)
Fourth stage (2002-2008 years)	«Precautionary stand-by»	411,6 million SDR (600 mln. USD)
Fifth stage (2008-2014 years)	The program «Stand by» 5.11.08r approved.	11 billion SDR (16,43 billion.dollars), but actually 10,6 billion. USD
	The program «Stand by» 28.07.10r ratified.	10 billion SDR (15,1 billion dollars)
Sixth period from 2014 to present	The new loan program «Stand by» mode of emergency access (2014-2016 years.)	10,976 billion. SDR or about 17,1 billion dollars USA
	The mechanism of expanded lending EFF (2015-2018 years.)	12.348 billion. SDR, or about 17,5 billion. USD. USA, or 15,5 billion. Euro

Source: constructed according to [7]

Overall, more than 25 years of cooperation between Ukraine and the IMF signed 10 loan agreements. Two of them provided for a mechanism EFF, and the remaining eight - a mechanism stand-by. Under these agreements Ukraine could get nearly 51,5 billion SDR (Special Drawing Rights - «Special Drawing Rights», SDRs, borrowing currency based on the «basket» of major currencies), but received less than half - only 21,9 billion SDR (over \$ 31, 5 billion). But the uses of SDR are quite limited because they are neither currency nor the securities. To be able to use SDR, they must be translated into dollars or other hard currency, but it must first negotiate with the United States or other developed country.

With only one agreement, signed in May 1996, Ukraine has fully selected the IMF money allocated - nearly 600 million SDR. Secondary Ukraine almost used the money allocated from the EFF program, agreed in autumn 1998 - in the midst of financial crisis. Then Ukraine would receive 1,919 billion SDR, and received - 1,193 billion SDR. The program itself continued until 2002.

After the crisis, Ukraine's economy was recovering, and the government decided that further cooperation with the IMF would take place on a credit-free basis.

In 2004 it was agreed program «precautionary stand-by», which provided that in case of aggravation of the situation Ukraine will receive assistance from the IMF.

In autumn 2008 the IMF agreed to give Ukraine a record loan at the time of 11 billion SDR, which then amounted to about \$ 16,4 billion. The situation was so complicated that 3 billion SDR was immediately credited to the reserves of the National Bank. Overall, the program Ukraine received three tranches. Part of the second and all three were directed directly to the state budget - which was not peculiar to the IMF.

In summer 2010, Ukraine not getting from this program 4 billion SDR, the IMF has signed a new and equally ambitious agreement - 10 billion SDR (over 15 billion). But it received even less money - only about a quarter. Most tranches went out to support domestic commercial banks, and not to the real sector of economy. The consequences of such expenditure tranches have meant that the gross external debt increased by \$ 24,5 billion and amounted to \$ 126,9 billion. However, the external debt of commercial banks decreased by 18 billion dollars and was \$ 24,1mlrd. These funds saved Ukraine from default and many banks from bankruptcy. However, the rescue of the banking sector has done almost nothing to the real economy.

Finally, in search of external financing to support budget government asked for help from Russia. In December 2013, when Ukraine held the action against the decision of the government not to sign the Association Agreement, in Moscow, the President of Ukraine signed an agreement on the 15 billion loan from Russia. Three billion loan, which was issued in Eurobonds that Russia bought, had become the first tranche. After the president's escape, change of power, annexation of Crimea by Russia and the beginning of the conflict in the

Donbas, Ukraine again appeals to the IMF for urgent financial assistance.

On April 30, 2014 the IMF Board of Directors approved the grant program «Stand by» the loan term to 2017 in the amount of 10,976 billion SDR, or \$ 17,01 billion to maintain economic program of the government to restore macroeconomic stability and economic growth.

In 2015, the Executive Board of the IMF signed a new enhanced agreement within the Extended Fund Facility of Ukraine in the amount of 12,348 billion SDR, or about \$ 17,5 billion up to 2019. This agreement has provided access to finance in exceptional sizes. The economic program was designed to steer the economy on a path of recovery, restore external stability, strengthen state finances and support economic growth through further structural reforms and public administration reform, providing social protection for the most vulnerable groups of the population. In 2015, Ukraine received \$ 5 billion and \$ 1,7 billion in 2 tranches under the program [8].

At the beginning of 2016, it is planned to receive the third tranche from the IMF of \$ 1,7 billion. However, the situation was complicated by the October 2015 elections to local councils, followed by serious political disputes over tax reform and the formation of the 2016 budget. Cooperation with the IMF was virtually frozen.

In April 2017, the Fund provided Ukraine with the fourth tranche of \$ 1 billion. In May, the IMF reported that in order to complete the revision of the extended fund facilities, the Ukrainian authorities are expected to provide parliamentary support for land and pension reforms, anti-corruption bills and intensification of privatization processes.

The fifth tranche of financial aid in the amount of \$ 1,9 bln. scheduled for June-July 2017 then the size of these tranches will be reduced to 1,33 billion dollars. However, fifth tranche was delayed until the end of 2017. This happened because the Parliament did not have time to adopt the necessary loan bills.

In addition, the last tranche of \$ 1 billion Ukraine received as a result of an unpredictable factor - the blockade of the occupied regions of Donetsk and Luhansk regions. This amount is enough to keep the country's balance of payments afloat, but not enough for reform. Therefore, delaying the tranche is quite a natural result of the slowdown in the implementation of reforms by the Government and the Verkhovna Rada of Ukraine by the IMF [9].

The new program of cooperation between Ukraine and the IMF under the stand-by mechanism was adopted on December 19, 2018. The amount of 14 month program is about \$ 3,9 billion. Moreover, almost \$ 1.4 billion was granted immediately, while the remaining funds were allocated on the basis of semiannual program review in 2019. Negotiations on further cooperation with Ukraine and International Monetary Fund will take place after the early elections to the Verkhovna Rada.

Currently, the main objective of Ukrainian government should be no resumption of cooperation with the IMF, and the change in economic policy that really stabilized,

have balanced trade and balance of payments to reduced external debt. It should be understood that the loans can never be a means to overcome the crisis - this is only delaying the time to default.

IMF resources should not be used to «patching holes» in the budget and should have long-term and balanced nature and, in particular aim at specific areas of reform and implementation of specific projects. Therefore, successful reform and implementation of projects supported by the IMF will lead to improved social and economic conditions of life and further sustainable development of Ukraine [10].

Conclusions

Therefore, cooperation with the IMF is very important for Ukraine, which promotes reforms aimed at stabilizing the economy and its return to the path of growth. Cooperation with the IMF allowed to adjust the current account balance and did not allow a default in the country.

The long experience of Ukraine's relations with the IMF points to the need to formulate a new approach to a common understanding of the role of international assistance of the diverse nature and resources of the IMF as complementary instruments on the path of state policy of international integration of our country, economic and social development, ensuring the interests of Ukraine in the foreign market. In terms of political and economic crisis in Ukraine there is a need for significant institutional and structural reforms in all sectors.

Ukraine still occupies the lowest place on the results of international research business environment, corporate governance and efficiency. Improving cooperation between Ukraine and the IMF will enable our country more actively and effectively participate in the activities of the governing bodies of the organization, as well as more efficient use of all the advantages of cooperation with the IMF. Also, future cooperation with the IMF is important in terms of preserving the proper image of the country to improve Ukraine's attractiveness for foreign investors.

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