

IMF Tells Kiev to Raise Domestic Gas Prices, Introduce Floating Exchange Rate

By [The Moscow Times](#)

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KIEV — An International Monetary Fund mission visiting Ukraine has urged the government to raise gas prices for domestic consumers and introduce a flexible exchange rate for the national currency, the hryvna, a fund official said Thursday.

Jerome Vacher, the IMF's resident representative in Kiev, told a ratings conference that these were among recommendations made by a fund team that has just ended a 10-day trip to the ex-Soviet republic.

"Measures included a flexible exchange rate, strengthening of the banking system, fiscal adjustment, reform of the energy sector [and] substantial improvement of the business environment," Vacher told the annual Fitch ratings conference.

He made clear that by energy reform the IMF meant raising the tariffs for domestic consumers of gas — both industry and households — something long opposed by the

government.

A previous \$15 billion standby IMF program was frozen in early 2011 after Kiev refused to end Soviet-era subsidies and raise prices in the household gas and heating sector.

Raising gas prices at home would be highly unpopular for President Viktor Yanukovich's government, with a presidential election due in early 2015, and the issue remains a stumbling block in the way of any new loan deal with the IMF.

At the same time, Ukraine, which hopes to sign landmark agreements in November with the European Union marking a swing westwards away from Russia, needs new credits to shore up foreign currency reserves and meet big foreign debt repayments next year, including to the fund.

The call for a flexible exchange rate has also been made many times by the IMF, which believes it will help narrow the trade gap between exports and imports.

But the national bank, through a policy of regular interventions and other regulatory measures, prefers to keep the hryvna pegged at eight to the dollar for political reasons, presenting it as a symbol of stability.

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