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Siluanov Says Russia's Ukraine Bailout Mostly Coming from National Welfare Fund

By The Moscow Times

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Russia will tap into a rainy-day fund for most of the $15 billion bailout it promised Ukraine after Kiev scrapped plans for European Union deals that would have pulled it further from Moscow's orbit, Finance Minister Anton Siluanov said.

President Vladimir Putin agreed the aid package with Ukraine in December, throwing the ex-Soviet state a lifeline in what was widely seen as a reward for a U-turn that prompted protests which persist in Kiev and have been marked by violence.

Russia will turn to its National Welfare Fund for $10 billion, Siluanov told Ekho Moskvy radio on Thursday.

The other $5 billion is coming from special drawing rights, or SDRs, a reserve asset created by the International Monetary Fund, he said. Officials had said both sources would probably

be used for the bailout, but had not given a breakdown.

"A decision was taken to support our neighbor's economy," Ekho Moskvy quoted him as saying. "It is not in our interest for the situation to worsen sharply."

Some in Russia have grumbled about using cash that is supposed to be kept for helping its growing population of pensioners to aid its neighbor.

Kiev needs cash to cover its external funding gap, while the central bank's currency reserves are depleted by efforts to support the hryvna and repay foreign debt.

The Ukrainian government owes around $8 billion in foreign debt payments this year. Ukraine owed $2.7 billion for gas at the end of 2013, according to Russian gas company Gazprom, so some of the money will come back to Russia.

Siluanov said the rate on the package of credits was 5 percent and that they would come due on Jan. 1, 2016, Ekho Moskvy reported.

Russia closed a deal in late December to buy Ukraine's newly-issued $3 billion Eurobond, the first part of the bailout.

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