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Factbox: Ukraine's IMF Bailout Deal

By The Moscow Times

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IMF Managing Director Christine Lagarde (L) makes remarks to the press as World Bank President Jim Yong Kim listens at the conclusion of the IMF and World Bank's Development Committee meeting in Washington, U.S.

The International Monetary Fund's board this week signed off on a $17 billion bailout for Ukraine, whose economy has been weakened by months of upheaval and a stand-off with Russia.

Ukraine's previous two IMF programs were suspended after the government did not stick to earlier promises, such as raising natural gas prices. This time, the IMF required Kiev to implement 12 reforms before receiving any money.

The following highlights some of the IMF's new requirements:

Energy Sector

-Stick by promises to raise gas tariffs for consumers by 56 percent, effective as of Thursday, and raise heating tariffs by 40 percent on average from July 1. Both tariffs will go up 40 percent in 2015 and 20 percent in 2016 and in 2017.

- Aim to contain the deficit of Naftogaz, the state-run oil and gas company, to 3.3 percent of GDP this year, 1.9 percent of GDP in 2015, and eliminate the deficit completely by 2018. Naftogaz now sells gas below cost to Ukrainian consumers, running a constant deficit.

- Provide government support for utility payments for the 27 percent of Ukrainian families that cannot afford higher energy prices, with the scheme to start on July 1.

Central Bank

-Maintain a floating exchange rate for the national currency, and start removing all existing foreign exchange restrictions by the end of July.

-Adopt inflation targeting by the central bank within 12 months of the IMF program's approval, or by May 2015.

Financial System

- Complete studies and review business plans for the 15 largest banks by July 31 to assess capital adequacy. The 20 next largest banks must complete the studies by the end of September. The bank system faces severe liquidity shortages, losing about 12.5 percent of deposits from February to the end of March.

- Ensure the 35 largest banks can comply with the Tier 1 capital target of 7 percent by the end of February 2015.

- Establish criteria by May 31 for the government to bailout insolvent banks or restructure them if private shareholders are unable to help.

Fiscal Deficit

- Reduce the budget deficit by about 2 percent of gross domestic product each year from 2014 to 2016, mainly by cutting spending.

- Scrap wage and pension increases for the public sector scheduled for July and October, and keep a hiring freeze for government workers.

Structural Reforms

- Complete a study of the government's laws and anti-corruption framework by the next IMF review in order to trace the laws' impact on the judicial system, tax collection and the business climate, and design further reforms accordingly.

- Simplify the regulatory environment and reduce compliance costs for businesses. The IMF blames weak governance and resistance from vested interests for the failure of Ukraine's previous two IMF aid programs.

For the full IMF report, click here.