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INDEPENDENT NEWS FROM RUSSIA

Ukraine Needs $15 Billion to Avert Financial Collapse – Report

By The Moscow Times

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Repairmen work to repair the electricity network after what locals say was a night shelling in Donetsk on Dec. 9, 2014.

The International Monetary Fund (IMF) has warned Western governments that war-weary Ukraine will need an extra $15 billion in aid over the coming weeks to avert financial collapse, the Financial Times reported.

This massive infusion would come on top of a $17 billion IMF bailout announced in April, which was intended to suffice until 2016. The earlier bailout was worth nearly 10 percent of Ukraine's total 2013 GDP of $177 billion, according to the World Bank.

Ukraine's economy minister Aivaras Abromavicius on Wednesday pleaded for increased support: "We want to expand the program given the difficult situation. Calculations are being made," Abromavicius said at a briefing, adding that it was too early to say how much extra cash would be needed.

Unidentified people with knowledge of the IMF's warning told the Financial Times that a 7 percent contraction in Ukraine's economy, which has drained Central Bank reserves and spawned torrential capital outflows, is to blame for the country's yawning fiscal gap.

Falling exports to Russia, previously Ukraine's largest trading partner, have also aggravated the situation, they said.

Ukraine is struggling to finance a war against Russia-backed separatists in its eastern regions, which has continued sporadically despite a cease-fire declared in September. These areas — Ukraine's industrial heartlands — previously provided almost 16 percent of the country's total economic output.

Unless it receives the extra cash, Kiev will be forced to seriously cut government spending or default on its debts, the report said.

Unidentified Western officials told the Financial Times that there is little support for handing over such a large sum to Ukraine, which has been accused of dragging its feet on promised administrative and economic reforms.

Material from Reuters is included in this report.

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