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Ukraine to Talk to IMF First, Creditors Second

By The Moscow Times

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International Monetary Fund Managing Director Christine Lagarde

WASHINGTON — Ukraine will hold talks with its sovereign bondholders only after it concludes discussions with the International Monetary Fund about a new financing package, Kiev's finance minister said on Tuesday.

Ukraine has been pushed close to bankruptcy by a widening conflict with pro-Russian separatists and has asked for an extension in foreign aid, including from the IMF, to plug an estimated $15 billion funding gap.

"We have not started those consultations yet [with sovereign bondholders]," Finance Minister Natalie Jaresko said on a call with reporters. "We will start them after we've completed our negotiations with the IMF because the parameters of the situation will be clearer once we've come to an agreement."

Ukraine plans to hold talks with all creditors — including Russia — not discriminating against any of them, Jaresko said.

At meetings in Davos last month, she said Kiev plans to talk with holders of its sovereign debt with a view to improving debt sustainability, without elaborating further. The comments were widely seen as a call for creditors to write down some of Ukraine's estimated $70 billion debt.

Jaresko also said Kiev has not yet decided on who will be advising it on possible debt talks.

Sources close to the situation said last week that Ukraine has hired Lazard Ltd to advise it on the talks with bondholders.

An IMF team is now in Kiev to negotiate a bigger financing package for the country that would also extend beyond the two-year, $17 billion loan program approved last year.

Donors have estimated Ukraine needs another $15 billion in financing to withstand an economic crisis, but Jaresko said Kiev was focused on its immediate financing needs for the next 12 to 15 months, not on what may be required under a three- or four-year IMF package.

"We haven't yet agreed on a final number [with the IMF]," she said. "[And] we have not had any discussions yet about three or four years. I think there's too many uncertainties to be able to look forward in terms of financial needs."

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