

Ukraine sold eurobonds: no more miracle making?

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The news that the Government of Ukraine sold 3 billion USD Eurobonds with a 7.375% annual yield causes mixed feelings. On one hand, this is the confirmation of the right direction Ukraine's economic reforms are moving to.

On the other hand, this is far not the cheapest money Ukraine can get: thus, interest rate of the IMF loans for Ukraine is below 3% (IMF lends Ukraine funds under floating interest rate).

The rate is revised weekly based on the fluctuation of exchange rates of key world currencies. Currently, the interest rate together with service fees constitute approximately 3%-4%), but being linked to strict and tough conditionalities IMF money is not popular among Ukrainian political elites anymore.

Fund's Top Management keeps pursuing establishment of the anticorruption court – Christine Lagarde indicated it in her introduction remarks at Brookings on September 18.

However, before the elections in 2019 Ukraine would need to pay back to the IMF around 3 billion USD. Reforms to eliminate endemic corruption – this is what Ukraine really needs, instead of looking for new debts to cover the old ones.

The EU has also reserved EURO 600 mln macro financial assistance to Ukraine, which is linked to strict policy conditionalities and should be disbursed by the end of 2017. This loan could be also much cheaper for Ukraine – just around 2% interest rate, however this would mean for government to ensure Ukraine has automatic system of asset declarations and conflict of interest verification.