

17 July 2018

Ms. Christine Lagarde
Managing Director of the International Monetary Fund
700 19th Street, N.W., Washington, D.C. 20431, USA
omdaisec@imf.org

Dear Ms. Lagarde:

Re: Request to reconsider the requirement of an increase of gas tariffs for IMF funding

On behalf of the 20 million Ukrainians living abroad, and, among others, citizens and taxpayers of donor countries of major IMF donor countries, the Ukrainian World Congress (UWC) calls upon you to reconsider the IMF's requirement of an increase of gas tariffs for Ukrainian households for the next IMF funding tranche. Notwithstanding the ongoing Russian aggression and the resulting economic difficulties, Ukraine has been undertaking an ambitious reform agenda while trying to prevent further deterioration of the standard of living for the population. Many of these reforms, that included the coordinated assistance of international financial institutions and pressure from civil society, have been very successful. Due to the considerable efforts by organizations such as the IMF and sound fiscal and monetary policy by Ukraine's relevant institutions, Ukraine avoided default in 2015, achieved macroeconomic stabilization, and even recorded a modest growth in GDP since then.

However, Ukraine will continue to require further support from the international community until the many systemic reforms that have been initiated over the past years begin to bring visible benefits for its economy. Ukraine has so far demonstrated a record of strong compliance with a number of important recommendations by the IMF and other international partners of Ukraine by implementing major reforms, *inter alia*, in banking, energy, public procurement, business deregulation and concrete measures to reduce corruption. On 8 June 2018 the Ukrainian Parliament adopted and on 11 June 2018 President Petro Poroshenko signed a highly anticipated law on the establishment of an anti-corruption court. This law will further reinforce the government's anti-corruption policies and enable effective work of the existing anti-corruption institutions, such as the National Anti-Corruption Bureau of Ukraine, the Specialized Anti-Corruption Prosecutor's Office of Ukraine, and the National Agency on Corruption Prevention. In order to continue on this path of reforms, Ukraine needs continued commitment from the IMF to its macroeconomic stability.

The UWC is aware that one of the remaining contentious issues between the IMF and the Ukrainian authorities is the IMF's requirement of an increase of gas tariffs for consumers to correspond to the market level at import. In 2016, the Ukrainian government carried out the first such increase, which was widely hailed by the international community and experts as a progressive step towards the fiscal and macroeconomic stabilization of the country. However, since then, the gap between the market price and the price charged to consumers in Ukraine for gas has been growing. This has been due to the legitimate concern of the government over the deteriorating ability of many Ukrainians to pay their utility bills.

Threatening an already fragile socio-economic situation in Ukraine will do a disservice to the country's macroeconomic stability. Under these circumstances, the withholding of the next funding tranche by the IMF will have a very negative impact on the reform agenda in Ukraine, and create economic uncertainty.

On the other hand, the disbursement of IMF's next funding tranche will enhance further reforms for the benefit of the Ukrainian people and ensure more rapid GDP growth.

In view of the above, the UWC calls upon the IMF to waive its condition of an increase of gas tariffs for households for its next funding tranche.

Sincerely,

UKRAINIAN WORLD CONGRESS



Eugene Czolij
President

cc: His Excellency Mr. Volodymyr Groysman, Prime Minister of Ukraine

The UWC is the international coordinating body for Ukrainian communities in the diaspora representing the interests of over 20 million Ukrainians. The UWC has a network of member organizations and ties with Ukrainians in 53 countries. Founded in 1967, the UWC was recognized in 2003 by the United Nations Economic and Social Council as a non-governmental organization with special consultative status.