

Zelensky government prepares further social cuts ahead of new debt negotiations

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The far-right, crisis-plagued government of President Volodymyr Zelensky is preparing to renegotiate its \$20 billion debt with Eurobond holders as the pause on its payments following the outbreak of the NATO proxy war against Russia in February 2022 is set to end on August 1.

As the *Kyiv Post* reported, initial negotiations already took place June 3-14 between the Ukrainian government and its creditors, but they did not go well. Bondholders were reportedly unhappy with a cut of up to 60 percent of the original agreement. Should negotiations fail, after August 1, Ukraine will be forced to pay \$3.75 billion by the end of 2024.

The various major bondholders are using the name Ad Hoc Creditor Committee during negotiations. The Committee consists of Amundi, BlackRock and Amia Capital, according to *Bloomberg*. PJT Partners Ltd. and Weil, Gotshal & Manges LLP are participating as the group's financial and legal advisors. These giant hedge funds as well as banks like JP Morgan Chase are deeply involved in the so called "reconstruction" effort in Ukraine, whose fundamental aim is to subordinate the economy and its working class directly to the predatory interests of finance capital.

If negotiations do not end in Ukraine's favor, the impoverished country of 32 million will greatly increase its chances of defaulting on foreign debt, threatening both the continuation of the imperialist-provoked war with Russia and the Zelensky government itself whose popularity ratings are already tanking due to a highly unpopular mobilization law passed earlier this year. As the Wilson Center think tank noted, while default is not certain "it is obvious that the longer the war drags on, the closer Ukraine will come to defaulting. Already in 2025, the national debt is projected to exceed 100 percent of Ukraine's GDP."

As a result of previous loan agreements with the International Monetary Fund (IMF), the Zelensky government is unable to offer any more favorable terms to its creditors, "otherwise International Monetary Fund (IMF) debt sustainability targets risk not being reached" the *Kyiv Post* reported. As a result, the government has been forced into a corner during negotiations as it must pay interest on its Eurobonds for three years all at once.

Last week, Ukraine received another \$2.2 billion from the IMF as part of its participation in the Extended Fund Facility (EFF) program which lasts 48 months and will loan the country approximately \$16 billion. Ukraine is now the second largest debtor to the IMF after Egypt.

These agreements entail mass privatizations, further reductions in already minimal social spending and various anti-corruption "reforms" demanded by Western imperialism. Despite their title, such "anti-corruption" efforts are essentially a means to insert Western elites into dictating the social and economic decisions of the indebted governments.

The severity of the debt crisis is shaking up the already crisis-ridden NATO-backed Zelensky government and threatens to undermine the war effort. For the past year, the Zelensky regime has been dealing with a severe manpower and ammunition shortage at the front as it continues to lose territory to Russia.

Earlier this week, the *Ukrainska Pravda* reported that Zelensky would soon replace the country's Prime Minister Denis Shmigal, who had taken a leading role in negotiating with the IMF and assuring Ukraine's compliance with its various agreements.

The longest-serving Prime Minister in post-Soviet Ukraine, Shmigal was first appointed Prime Minister in 2020 following the resignation of Oleksiy Honcharuk,

who made international news in October 2019 when he attended a neo-Nazi rock concert in Kiev.

While much of the article attributed Shmigal's potential dismissal to mere personality and power conflicts between him and Zelensky, it also cited a sense of great nervousness within the Zelensky regime over the implications of a number of "reform" agreements with both the International Monetary Fund (IMF) and the United States.

According to *Ukrainska Pravda*, it was Shmigal's "government that signed memorandums of commitment with the IMF and other international structures. And what's bad is that the government was the addressee of the so-called 'reform plan' that the White House sent to donors and the government of Ukraine."

It went on to add that by sacrificing Shmigal, the Zelensky government hopes its foreign creditors will be more open to new negotiations.

Shmigal is likely to be replaced by First Deputy Prime Minister Yulia Sviridenko who is reportedly close to Zelensky's wife. Sviridenko is also viewed as "100 percent loyal" by Zelensky's powerful aide Andriy Yermak. Reports suggested that Yermak already played a major role in forcing out the former Ukrainian commander in chief, Valery Zaluzhny in February.

The infighting within the Zelensky regime is fundamentally a symptom of the ongoing NATO proxy war in Ukraine, which has cost the lives of hundreds of thousands of Ukrainian soldiers and created over 6 million refugees, while devastating the economy already ranked as Europe's poorest prior to the war.

The extent to which the war has further impoverished Ukrainian society was underlined last week by the head of the Ukrainian parliament's Committee on Social Policy and Veterans' Rights, Galyna Tretiakova.

In a rare official acknowledgement of the social disaster in Ukraine, Tretiakova stated, "We have a catastrophic ratio of people who are considered poor. In fact, the war has thrown us back 16 years in terms of overcoming the problem of poverty." A World Bank report released last month indicated that the number of people living in poverty in Ukraine had grown by about 1.8 million since 2020, increasing to almost a third of the entire population at 29 percent.

In total, 9 million Ukrainians were living in poverty

as of last year, while the country's overall population has dropped precipitously from 40 million to 32 million. These figures do not take into account the immense loss of life among Ukrainian soldiers, which is estimated at well over half a million now.

The report also showed that the increase in poverty was driven by skyrocketing unemployment. A fifth of working adults have lost their jobs following the outbreak of full-scale war in February 2022. One in four Ukrainians surveyed did not have enough money to buy food at some point in June 2023, according to the World Bank report.

Amidst this social disaster, the Zelensky government, seeking to both finance the war effort and placate its international creditors, is preparing further cuts to social spending. Ukraine's Minister of Social Policy Oksana Zholnovych declared last week, "We have taken on an excessive number of social obligations, social payments, which cannot always be supported by financial resources. And this imbalance entails a huge number of judgments that cannot be fulfilled in terms of the economy's ability to cover such expenses."

Already, Ukraine spends more on its military than on social spending, but, according to Zholnovych, the government now has to further "revise the philosophy of social payments" and "optimize" them.

While it is as yet unclear exactly how the Zelensky regime plans to cut social spending further, Zholnovych told UNN that a draft law had already been prepared to revise social payments as Ukraine continues its necessary "reforms" to fulfill its obligations to the IMF and Western imperialism.



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