

Ukrainian and Russian Central Bank Officials Discuss Challenges of Ukraine Crisis

By [The Moscow Times](#)

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Central bank representatives from Ukraine and its bitter rival Russia took the stage together in Washington on Saturday and described differing fallout from the conflict in eastern Ukraine.

Their governments in Kiev and Moscow may be at odds, but Valeria Hontareva, governor of the Central Bank of Ukraine, and Ksenia Yudayeva, deputy governor of the Central Bank of Russia, managed to joke about the irony of their encounter on a panel on the sidelines of the World Bank and International Monetary Fund meetings — and to shake hands afterwards.

"Of course today, you'll be surprised that we will have such a meeting, like Russia against Ukraine," Hontareva said at the Institute of International Finance. "You notice right now that

our ceasefire unfortunately is not a peaceful ceasefire, but I hope that our meeting today will be a peaceful one."

She went on to list the many damaging effects of the eastern Ukraine conflict on the Ukrainian economy, not least the need to radically step up military spending and the wholesale destruction of infrastructure.

"We are not facing this problem; we face much more ordinary challenges in Russia," said Yudayeva, though she conceded that Western sanctions imposed on Russia for its annexation of Crimea and suspected intervention in eastern Ukraine could hurt the Russian economy in the long-term.

Analysts say sanctions have exacerbated existing problems in the Russian economy, pushing it towards stagnation. The IMF has halved its growth forecast for Russia in 2015 to 0.5 percent, while the World Bank estimates an expansion of only 0.3 percent.

The sanctions and the rapid weakening of the ruble have spurred more than \$75 billion in capital flight this year, according to official data.

Ukraine is also having problems attracting international capital, and Hontareva said it would need six more months to see "the light at the end of the tunnel" before it could tap international markets again, relying on donors in the meantime.

Kiev says a \$17 billion IMF aid package will probably have to be increased because of the cost of the conflict, and investors worry IMF-mandated economic reforms will be put on hold until parliamentary elections in October.

"It's very difficult to do reforms, any reforms, when we have a real hot war, because first of all you have to consider how to finance your military expenditure which absolutely was not envisaged before in your ... budget," Hontareva said.

But she added that Ukraine was pursuing other reforms, including cutting back on staff at the central bank, where she said the former governor had no less than 73 security guards and 23 guard dogs.

In Russia, Yudayeva said, sanctions had been good news for lawyers at least, with one U.S. firm having to hire 20 to process payments of one Russian bank.

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