

Individual country details: Caucasus and Central Asia

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The tables that follow present for each country by subperiod the summary information on the monetary policy framework which lies behind the classification, followed by a list of selected IMF references and other sources which provide further details.

IMF country-specific papers are referred to as follows (by year of publication, not year of consultation, plus month if there are two issues in the same year):

Background Information = BI

Recent Economic Developments = RED

Recent Economic Developments and Selected Issues = REDSI

Selected Issues = SI

Selected Issues and Statistical Appendix = SISA

Staff Report = SR

Staff Report Informational Annex = SRIA

Other abbreviations

CD = certificate of deposit

DM = Deutsche Mark

EBRD = European Bank for Reconstruction and Development

ECF = Extended Credit Facility

EFF = Extended Fund Facility

FSU = former Soviet Union

GFC = Global Financial Crisis

NPLs = Non-performing loans

OMO = open market operation

PSI = Policy Support Instrument

SBA = Stand-by Arrangement

SOE = state-owned enterprise

USD = US dollar

Armenia had similar difficulties on the breakup of the Soviet Union to many other countries, but moved more quickly towards a market economy. Despite considerable external difficulties and a weak financial system, it was able to embark on inflation targeting in the mid-2000s, initially with poor results but from 2011 with reasonable success.

Years	Targets and attainment	Classification
1992-94	independence (out of USSR) declared 1990 but recognised only late 1991; exogenous shocks from 1988 earthquake to breakup of FSU trade and payments arrangements; long-standing tensions with Azerbaijan over Nagorno-Karabakh enclave lead to economic blockade in late 1991 that, along with disruptions to trade via Georgia, cripples economy and exacerbates high inflation originating from Russia; moves to market economy from 1991, but continuing use of Russian ruble; local branch of USSR central bank, renamed National Bank of Armenia end-1991, unable to restrain rapid credit expansion 1992, transformed into standard central bank early 1993 with more powers but little expertise and no autonomy; high growth of credit to public sector (with loans to SOEs supplied by ministry of finance instead of banks); local branches of FSU banks converted into commercial banks cater mainly for firms, not households, as do most new banks; domestic and international payments system problems; introduction of national currency considered from early 1992, realised in haste November 1993 after Russian currency reform mid-1993 (and made sole legal tender March 1994), with exchange rate set vs USD but soon allowed to float, via regular forex auctions in non-cash market, also cash market; early 1994 central bank independence increased with agreed targets for central bank credit to finance ministry; ceasefire July 1994; monetary policy tightened from mid-1994; comprehensive programme of stabilisation and structural reform late 1994	unstructured discretion UD
1995-2010	1995-6 directed credits phased out, reserve requirements revised, treasury bill issues started, payments system reformed and interest rates normalised, but budget deficits still affect monetary growth, while banking system is weak and small; policy operated via flexible focus on announced target corridor for reserve money; 1996-7 primary treasury bill market improved but minimal secondary market; rise of interbank forex market as main locus for forex trading; 1998 Russian crisis; assassinations and political turmoil late 1999 to mid-2000; 2000-01 failure of ten banks leads to measures to stabilise banking system and improve supervision; dollarisation very high; central bank has inflation objective from 2004; wide inflation targeting announced January 2006, with repo rate in corridor as operational target, forecasting and communication to be improved; inflation targets overshot four years out of five; some recurring unsterilised forex intervention; Georgian-	loosely structured discretion LSD

	Russian hostilities 2008; GFC has large adverse effects including collapse of remittances, crisis of confidence 2009; dedollarisation 2007-8 reversed 2009-10	
2011-17	wide inflation targets attained 2011-14, well undershot 2015 and 2016, but attained by end-2017, while inflation expectations of financial system remain broadly anchored and those of households go below the band but remain positive and return within the band late 2017; interbank market and monetary transmission mechanism remain weak; periodic forex intervention, authorities resist IMF pressure for more flexible exchange rate; 2015 accession to Eurasian Economic Union	loose inflation targeting LIT

Selected IMF references: RED 1993 pp10-15, 20-2, 69-78, 91; SR 1993 pp1-3, 7-8, 12-13; RED 1994 pp1-2, 19-20, 22-5, 31-2, 102; SR 1994 pp7-9, 12; REDSI 1996 pp5, 25-8, 35; RED 1998 pp4, 23-5, 33; REDSI 1999 pp13-18; REDSI 2000 pp12-15, 20-1; REDSI 2001 pp12-16, 25-6; SR 2002 pp9-11; SI 2004 pp12-16, 47-51, 57; SR 2004 pp11; SR 2006 pp9-12, 18; SI 2008 pp20-1, 23-6, 34-7; SR 2008 p15-16; SR 2010 pp10-11; SI 2014 pp3-5; SR 2017 pp16-17; SR 2019 pp13-14; SR 2021 p6.

Other references: Central Bank of Armenia *Inflation Reports*, 2017 Q1 p25, 2017 Q4 p16, 2018 Q1 p13.

Azerbaijan suffered similar dislocation to other FSU countries from the collapse of the USSR. It then opted for stabilisation, with some but varying success over the years. Structural reform was reluctant and limited, both in the wider economy and in the financial sector, and this meant that securities markets and monetary transmission remained weak so that there was a recurring tendency to revert to exchange rate stabilisation in the absence of an effective alternative nominal anchor.

Years	Targets and attainment	Classification
1992-94	independence (out of USSR) declared 1990, recognised late 1991, with regional territorial conflicts already having adverse economic effects; central bank with standard powers (but limited expertise) over monetary and credit policies and banking supervision set up early 1992 from merger of local branch of USSR central bank and two specialised state banks, which were then detached late 1992 with move to two-tier banking system including reorganisation of two other state banks and, over time, rise of many small new commercial banks; price liberalisation and some other moves towards market economy; cash shortage prompts introduction of new currency alongside and with fixed parity to ruble, initially in small quantities; issues of breakdown of FSU central planning and trade mechanisms and high inflation plus depreciation coming from Russia, but oil exports switched towards non-FSU markets and into USD; preparations for adoption of new national currency as sole legal tender, with ruble largely withdrawn from circulation mid-1993 (after Russian currency reform), manat pegged to USD late 1993 and made sole legal tender January 1994, restoration of ruble peg with devaluation March 1994, exchange rate floated May 1994; reserve and liquidity requirements revised and tightened, but most credit still allocated on annual credit plan via specialised banks, budget deficits still financed by central bank and foreign transactions heavily managed; rapid dollarisation; 1992-4 fighting over Nagorno-Karabakh, with Azerbaijani losses, which pave way for new President from late 1993	unstructured discretion UD
1995-2017	fiscal and monetary stabilisation 1995; payments system reform; central bank auctions refinance credits, attempts to control reserve money and manages forex reserves; forex auctions; reserve requirements restructured; bank activity concentrated in specialised state-owned banks, which turn out to have rising arrears and large NPLs and need to be rehabilitated; many small banks now exist but tied to one or few enterprises; 1996 treasury bill auctions; some rise in central bank autonomy; some more structural reform from mid-1996; securities markets still limited; possible Dutch disease effects from growing oil output and exports; 1998 Russian crisis, authorities tighten monetary policy and briefly stabilise exchange rate vs USD; restructuring	loosely structured discretion LSD

<p>of state-owned banks delayed; structural reform reluctant and limited; 2000s rising dollarisation; as of 2003 central bank's primary objective is price stability, with exchange rate as nominal anchor, and (in light of unpredictable money demand and underdeveloped treasury bill market) forex interventions are key instrument for affecting money supply; opposition to appreciation in context of oil boom and related fiscal expansion leads to sharp rise in inflation 2004-5, then exchange rate float and monetary tightening, followed by brief return to peg, with crawl from early 2006; currency reform (redenomination) 2006; talk of move to inflation targeting (IT) 'lite' to be pursued via base money targets with more exchange rate flexibility, plus later move to full IT (if/when preconditions fulfilled); March 2008 announced peg to USD/euro basket with adjustable weights, in practice peg is to USD, with forex purchases mostly unsterilised; GFC brings cut in oil revenues but fall in GDP averted, in part by temporary cuts in reserve requirements and policy interest rates; as of 2013 central bank still lends directly to real economy, interest rate transmission poor, stable exchange rate remains anchor of monetary policy, with authorities resisting IMF pressure for short-term rise in exchange rate flexibility; 2015, in response to shocks including oil price fall, two major devaluations followed by shift to managed float; rise in dollarisation; more focus on base money growth; reversion to de facto peg early 2017</p>	
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Selected IMF references: RED 1993 pp19-21, 28-30, 103; SR 1993 pp11-13; RED 1994 pp14, 15, 16-17, 23-4, 28, 75-8; SR 1994 pp2-3, 5-6, 7, 10-13; RED 1995 pp17, 19-20, 22, 25-6; RED 1996 pp40-1, 42-3; RED 1998 pp22-32; SR 1999 pp10-11, 13-14; SR 2000 pp12-13, 17-20; SR 2002 pp18-20; SI 2003 pp36-9; SR 2003 pp12, 22; SI 2006 pp4-15, 28-30; SR 2006 pp18-19; SR 2007 pp9-10, 16-19; SR 2008 pp9, 17; SR 2010 pp4-5, 8, 10; SR 2013 pp12-13; SR 2014 pp14-15; SR 2016 pp4-6, 10, 14-15; SR 2019 pp4, 7, 13-14.

Georgia embarked on independence earlier than some parts of the USSR but did not escape the vicissitudes of its collapse. From 1995 it had a long period of on-off stabilisation and structural reform, with periodic reversions to exchange rate stabilisation. Its attempts to pursue inflation targeting from 2009 were vitiated by the underdevelopment of its financial markets amongst other factors.

Years	Targets and attainment	Classification
1991-4	<p>independence (from USSR) declared April 1991, new President May 1991 but deposed in coup at end of year; major earthquake 1991; conflict over breakaway regions of Abkhazia and South Ossetia 1991-3, and 1992-3 with supporters of deposed President; 1991 some structural reform including move to two-tier banking system with local branches of USSR central and specialised banks ‘nationalised’, but currency remains ruble and country undergoes economic and financial disruptions of collapse of USSR, including hyperinflation and cash (banknote) shortage; many new small, undercapitalised, commercial banks but banking system dominated by specialised banks; rapid expansion of credit to government and SOEs; 1993 coupon issued alongside ruble in April, becomes sole legal tender in August (after demonetisation of pre-1993 rubles in Russia), but monetary policy remains accommodating with directed and subsidised credits from central bank; fall in confidence in coupon which depreciates sharply, and currency substitution from coupon into ruble as medium of exchange and into USD and other convertible currencies as stores of value, while central bank lacks independence and expertise needed for stabilisation and bank supervision</p>	unstructured discretion UD
1995-2017	<p>political normalisation 1994 allows sharp turn September towards fiscal and monetary stabilisation, including end of directed credits and enforcement of reserve requirements, with appreciation and then stabilisation of coupon vs USD; payments system improved, central bank autonomy raised, prudential regulation of banks strengthened; financially weak specialised banks need rehabilitation and upgrading; new currency introduced October 1995, stabilised vs USD within relatively liberal market arrangements, leading to strong reversal of currency substitution; key monetary instrument is forex interventions, which offset central bank lending to government; interbank credit auction started mid-1995 becomes more active, with larger central bank participation; ongoing banking sector reform; external debt rescheduling; overall level of monetisation remains low; issue of treasury bills by auction from 1997; 1998 Russian crisis and drought, sharp rise in dollarisation, exchange rate allowed to depreciate in short term but recovers in part; loss of fiscal and therefore monetary control late 1999; treasury bill market development, held back 1998, resumes but slowly; crisis 2001 in major trading partner Turkey; continuing issues of tax evasion, low ratio of tax</p>	loosely structured discretion LSD

<p>revenue to GDP, lax fiscal control, and corruption; 2003 credit auctions restarted and become, together with reserve requirements, main instrument of monetary control; Rose Revolution 2003, new government with ambitious reform agenda; efforts to reduce dollarisation; consolidation of banking sector 2000s but dollarisation remains high and monetisation low; 2006 target for reserve money; 2008 August war with Russia, GFC, strong fiscal but ineffective monetary response, leading to devaluation November; 2009-10 monetary and exchange rate reforms: ban on central bank direct lending to government, new auction mechanism for forex market, better liquidity forecasting, and reforms to standing facilities, as part of planned move to inflation targeting; inflation targets undershot 2009, overshot 2010-11, undershot 2012-14, undershot 2016, overshot 2017; periodic reversion to stabilising exchange rate; ongoing improvements in monetary operations, to strengthen monetary transmission and communication and to encourage dedollarisation; 2017 full dedollarisation plan, some success; statistics adequate by end of period</p>	
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Selected IMF references: RED 1993 pp2-4, 15-22, 74-7, 86-7; RED 1994 pp13-17, 21-2, 81-4; RED 1995 pp19-22, 26-9, 88; RED 1996 pp26-28, 30-1, 39-40; RED 1997 pp35-40, 42, 44; REDSI 1998 pp19, 24, 46-52; REDSI 2000 pp21-2, 57-61; REDSI 2001 pp9-11, 61-3, 73, 75-6, 80-2; SISA 2003 pp26-7; SR 2003 pp8-9, 13-14; SI 2006 pp6-11; SR 2006 pp13-15; SR 2009 pp5-7, 10-12; SR 2011 pp16-17; Ex Post Assessment of Longer-Term Program Engagement update March 2011 pp5, 7-8, and Appendix §§2, 5; SI 2013 pp5-7, 19-20; SR 2013 pp6, 11, 25-6; 1st Review under SBA 2014 pp9-10; Request for Extended Arrangement under EFF 2017 pp7, 13-15; SR 2018 pp13-15.

Other sources: National Bank of Georgia website for Annual Reports and inflation data.

Kazakhstan experienced the same post-USSR disruption as other FSU countries but moved more quickly at first towards a stabilised market economy. It then had a long period of step-by-step changes in monetary operations, with periodic reversions to fixed exchange rates interrupting a trend towards indirect monetary instruments focused on price stability, with a more decisive shift towards inflation targeting at the end of the period.

Years	Targets and attainment	Classification
1992-93	independence December 1991, with commitment and early actions to move to market economy; local branches of central and state specialised banks made 1991 into local banks, also some small commercial banks; membership of ruble zone but some local measures taken from 1991, to raise central bank refinancing rate and introduce reserve requirements, and to strengthen capacity of central bank (including from late 1992 credit auctions); end of USSR leads to disruption to trade and payments and high credit expansion 1991; cash shortages 1992 lead to measures to encourage use of cheques; by early 1993 government, which had been strong advocate of continuation of ruble zone, was contemplating introduction of own currency, plans made concrete after Russian currency reform mid-1993 and implemented late 1993	unstructured discretion UD
1994-2016	stabilisation programme with own currency derailed by central bank expansion of credit to net out and clear high domestic interenterprise arrears March 1994, which brings massive depreciation; stabilisation resumed June 1994; credit auctions become more important and more closely linked to central bank's refinance rate; directed credits continue but at refinance rate; banking sector reforms of various kinds, from prudential regulation to payments system, with restructuring of specialised banks; forex auctions from late 1993 determine official exchange rate with limited intervention; 1995 directed credits eliminated, rising use of treasury bills and central bank short-term notes, Lombard facility introduced, credit auction and reserve requirements adjusted, central bank autonomy increased; banking sector consolidation and reform; mid-1995 capital inflows lead to lower forex intervention and more emphasis on base money targets; credit auctions gradually replaced by OMOs; 1997 shift towards longer-term (two years) treasury bill trading; from mid-1990s increasing exploration, production and (via new pipelines) distribution of oil and gas; Asian financial crisis 1997; more serious adverse effects from Russian financial crisis 1998 contribute to shift from previous de facto crawl vs USD to freely floating exchange rate April 1999 with inflation as primary target, plus major depreciation, followed by switch to forex intervention to prevent large capital inflows causing appreciation; strong trend of monetisation (decline in velocity); stabilisation fund for excess oil and gas revenues set up 2001; exchange	loosely structured discretion LSD

	arrangement is now managed float, with policy focused on competitiveness and inflation; some growth in government securities markets; 2004-5 talk of future move to inflation targeting, but shallow financial markets, low monetisation and hence unpredictable money demand pose problems; banking sector very concentrated and reliant on external financing; mid-2000s accelerating monetary and credit growth, plus large capital inflows, complicate monetary policy; scope and level of reserve requirements increased 2006; GFC hits banks hard via cut in external financing, burst of property bubble and revelation of large NPLs; GFC badly affects economic activity via other channels as well as banking; central bank provides general liquidity injections and specific support to weak banks, government cuts taxes; exchange rate vs USD, stabilised since late 2007, devalued early 2009, with trading band widened asymmetrically early 2010; previous dedollarisation reversed; banking sector recovery very slow and difficult, with continuing high overall level of NPLs; exchange rate trading band abandoned early 2011 but central bank still manages rate closely; 2013 reserve requirements revised, more use of repo operations to control liquidity, expected move to more active use of OMOs with new policy rate within interest rate corridor; 2014 inflation targeting formally adopted as medium-term goal, although arguably a number of prior issues need to be resolved first, on monetary operations and instruments, forward-looking behaviour by central bank, and high dollarisation; 2014 Russian-Ukrainian war, sharp fall of ruble; early 2014 devaluation plus narrow exchange rate band, renewed focus on exchange rate stability; late 2014 fall in oil price; exchange rate band asymmetrically widened late 2014 and again mid-2015; 2015 start of Eurasian Economic Union; mid-2015 central bank sets out plan for phased transition to inflation targeting over period to 2020, including new policy rate supported by OMOs; late 2015 exchange rate arrangement moves to managed float; inflation target band missed for most of 2015 and 2016	
2017	inflation within target band 2017; many but not all of changes needed for full-fledged inflation targeting now in place; banking sector remains weak, credit growth low	loose inflation targeting LIT

Selected IMF references: BPSA 1993 pp34-45, 57-60; SR 1993 pp12-17; BPSA 1994 pp2-3, 22-31, 38-9; RED 1995 pp1-4, 35-7; RED 1997 pp29-31, 36; RED 1998 pp16; SR 1999 pp4-8, 10-12; SR 2000 pp9, 23-4; SR 2002 pp9-10, 19-20; SR 2003 pp6, 9, 11-12; SR 2004 pp7-8, 15-16; SR 2005 pp6-8, 15-16; SR 2007 pp7-13; SR 2008 pp3-8, 11; SR 2009 pp3-9, 14; SR 2010 pp3-7; SR 2011 pp6-7, 11-16; SR 2013 pp6, 10, 11-12; SI 2014 pp17-27; SR 2014 pp12-13; SR 2015 pp4-5, 13-14; SR 2017 pp11-12; SRIA 2017 p3; SR 2018 pp11-12.

Other references: National Bank of Republic of Kazakhstan (2015, 2021).

Kyrgyz Republic experienced similar disruptions to other FSU countries from the dissolution of the USSR, but introduced its own currency earlier and moved more quickly towards market mechanisms in the financial area. Its exchange rate was relatively flexible throughout, and by the end of the period it was using mainly indirect monetary instruments to pursue price stability, but in a context of weak monetary transmission mechanisms.

Years	Targets and attainment	Classification
1992-93	independence (out of USSR) late 1991, some early moves to market economy with prices mostly liberalised by end-1992, but macro policies expansionary in context of ruble area developments; May 1993 introduction of national currency, with its exchange rate determined via weekly auctions, enables some stabilisation in spite of continued disruption to trade and payments from dissolution of USSR, but derailed by high directed credits to SOEs mid-1993, then stabilisation gradually resumed from late 1993; local banks formed from branches of USSR central and specialised banks, plus some small new commercial banks	unstructured discretion UD
1994-2017	central bank relied in 1993 mainly on directed credits and refinancing but from 1994 made more use of indirect instruments: credit auctions from February 1993, treasury bill auctions from May 1993, Lombard facility started August 1993 but redesigned mid-1994, and emergency facility late 1994; 1994 bank lending to SOEs in financial difficulties banned; many banks turn out to be financially unsound in spite of attempts to improve supervision and official support; financial market volumes remain low; more use of reserve requirements from 1996; securitisation of outstanding central bank lending to government enables reverse repos in treasury bills from mid-1997; increase in interbank money market activity and secondary treasury bill trading; revival of banking system 1996-7 but financial intermediation remains low; 1997 start of gold production raises growth; new law prohibits central bank lending to government; mid-1998 forex auctions ended, interbank forex market consolidated with new electronic trading system; severe GDP, exchange rate and financial effects from 1998 Russian financial crisis; fall in money demand and rising dollarisation; major banking crisis late 1998 to 1999, restructuring 1999 and especially 2000; central bank issues own bills from mid-2000; exchange rate managed, with view to reserve accumulation and smoothing (only); shallowness of securities markets hinders liquidity control and monetary policy; high level of external debt, arising from long-running problems of fiscal control; from 2001 remonetisation; Tulip Revolution 2005 leads to change of president; major financial sector reforms from 2006; GFC shock 2008 sharply affects prices and economic activity in what is now very open economy, leads to demonetisation and dollarisation; dollarisation and importance of emigrant workers' remittances complicate monetary policy; 2010	loosely structured discretion LSD

<p>political protests and ethnic violence lead to new interim president, new (parliamentary democracy) constitution and new elected president 2011; largest bank shown mid-2010 insolvent, messy resolution process, problems in other banks, weaknesses in legal arrangements; as of 2013 monetary policy aims mainly at price stability, pursued via effects on reserve money of OMOs, forex operations, reserve requirements and other instruments, but credit and other channels of monetary transmission are weak, fiscal control is variable, and attainment of targets for inflation, reserve money and broad money is often poor; de facto independence of central bank is well below de jure; 2013-15 external (regional) shocks, depreciation vs USD; 2014 shift from monetary base to policy rate as key instrument, with standing facilities to provide corridor, plus focus on price stability, in context of substantial exchange rate flexibility; dollarisation varies but overall remains high; membership of Eurasian Economic Union 2015; interbank market activity falls 2016 despite shift in monetary operations, interbank rate close to floor of corridor</p>	
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Selected IMF references: RED 1993 pp1-3, 20-5, 31, 61-5; RED 1995 pp1-2, 21-8, 34-5; RED 1996 pp11-14, 68-70; RED 1997 pp20-22, 24-7, 55-6; SR 1997 p14; RED 1999 pp28-32, 44-6, 56-7; SR 1999 pp5-16; SISA 2000 pp16, 64-78; SR 2000 pp18-20; SR 2001 p8; SR 2003 pp18, 20; SR 2004 p18; SR 2006 pp18, 20; SI 2011 pp3-8; SI 2013 pp18-29; SR 2015 pp16-17, 27-9, 40; 3rd Review under ECF 2016 pp14-15, 49-52; SR 2019 pp7-8, 10-11. Other references: National Bank of Kyrgyz Republic (2014 p10, 2016 pp34-5).

Tajikistan suffered similar dislocation to other FSU countries from the collapse of the USSR, but also several years of civil war. It moved slowly towards a market economy and introduced its own currency only in 1995 (and with little success). It then embarked slowly and often reluctantly on structural reform and stabilisation, with a second new currency in 2000 and a gradual evolution towards modern monetary operations by the end of the period.

Years	Targets and attainment	Classification
1992-96	independence (out of USSR) late 1991, within ruble area; initial moves towards market economy half-hearted and/or obstructed by destructive civil war 1992-4 and 1996-7; local branches of USSR banks turned into central and specialised banks, some commercial banks owned by state enterprises; central bank lacking in expertise and power over other banks, with no framework for monetary control or banking regulation, imposes reserve requirements and tries to limit bank lending, but officially directed credits and membership of ruble area preclude independent monetary policy; collapse of inter-republican payments system, build-up of interenterprise arrears, cash shortages, high credit expansion; early 1994 currency reform aimed to replace pre-1993 with new Russian rubles although no agreement yet reached with Russia on monetary union, but large amounts of cash deposited in bank accounts and frozen so cash shortage worsened; late 1993 influx of pre-1993 rubles from other FSU countries now issuing own currencies; widespread wage payment arrears; new Tajik currency introduced mid-1995, with exchange rate set via auctions in new forex market; large rise in directed credits leads to loss of confidence, depreciation, demonetisation and dollarisation, while forex auctions at times replaced by administrative forex allocations; 1996 authorities struggle to regain control in face of floods and renewed fighting	unstructured discretion UD
1997-2017	peace agreement mid-1997 allows return to reform and stabilisation, with forex auctions restarted (alongside curb market) and directed credits in theory no longer allowed; by late 1997 monetary policy conducted mainly through refinance facility and forex interventions (no OMOs due to absence of treasury or central bank papers); many banks financially unsound; 1998-9 some disruptions to peace process; 1998 fall in world cotton price and Russian crisis lead to policy slippages with rising directed credits, latter banned late 1999 in policy correction but recovery of past credits difficult; treasury bill issues from late 1998, growth slow; improved banking supervision and regulation, some restructuring; new currency introduced October 2000; 2000-3 macro policies unevenly implemented, high quasi-fiscal activities, directed credits, banking system and monetary instruments remain weak; 2004 monetary policy more effective, directed credits again in theory prohibited, growing importance of remittances (mainly from Tajik workers in Russia); 2006-7 heavy borrowing from China	loosely structured discretion LSD

<p>for infrastructure projects; as of 2007 main monetary instruments are reserve requirements and issuance of central bank bills, exchange rate stabilised (but without intervention); 2008-9 GFC brings fall in remittances and economic growth, policy shifts towards more exchange rate flexibility and more emphasis on reserve money; 2009 special audit of central bank reveals major gaps in balance sheet; banking sector weakened, needs support and reform; financial markets still small and inactive, directed lending continues; 2015 adverse effects from Russian slowdown; increased forex market restrictions, long-standing official reluctance to promote growth of government securities markets, plus delays in dealing with financially unsound and poorly managed banks (some state-owned); mid-2017 forex market re-unified; 2017 rise in stock of government securities, introduction of standing credit facilities, talk of eventual move to inflation targeting, though monetary transmission remains weak</p>	
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Selected IMF references: RED 1994 pp1-2, 16-18, 26-7, 40-2; SR 1994 pp5-6, 8-9, 10; RED 1996 pp2-5, 24-9, 36-7, 101-4, 121-4; RED 1997 pp6-11, 35, 40-3, 52-4; SR 1998 pp5, 6-11, 16-17; RED 2000 pp4-5, 27-31; SR 2001 pp8, 15-17; SISA 2002 pp5-13; SR 2002 pp10-11; SISA 2005 pp36-7; SR 2005 pp9, 12; SR 2007 pp7, 8, 10; SR 2009 pp12-15, 20; SR 2011 pp9, 12-13, 16; SR 2013 pp5, 8, 12-13; SR 2015 pp5, 10-13, 44-8; SR 2017 pp8-9, 17-18, 31-2.

Turkmenistan had a difficult and far from complete transition from central planning, affected by the disruptions of the end of the USSR but introducing its own currency. It then had a decade of heavy direct controls and directed lending by the central bank before fixing the exchange rate to the USD as a nominal anchor and moving in a limited way towards market mechanisms. However, credit growth to the private sector remained very low, financial market development insignificant, and direct controls pervasive.

Years	Targets and attainment	Classification
1992-95	independence (out of USSR) late 1991, moves towards market economy but commitment to continued major role for state; local branches of USSR central and state banks turned into local banks; central bank initially lacking in expertise and institutional capacity, but mid-1993 reforms to legal status, reserve requirements and refinancing practices, plus start of weekly credit auctions; membership of ruble area means country affected by price liberalisation and disruptions to monetary and payments arrangements originating in Russia; late 1993 new national currency introduced, with forced bond conversion whose proceeds are not well used; more changes to refinancing and reserve requirements, credit auction volumes low and discontinued late 1994, poor bank compliance with regulations, central bank lending to SOEs directed by political authorities, administrative measures to reduce interest rates; 1993-5 lack of access to regional gas pipelines affecting sales of gas to Europe and rising arrears owed on gas purchases by FSU countries lead to direct controls being strengthened and provide excuse for lack of progress on structural reforms; exchange rate (supposedly set in weekly forex auctions) heavily managed with frequent devaluations, import compression measures, parallel market with low volume but high premium	unstructured discretion UD
1996-2007	major reforms announced end-1995, including emphasis on monetary stabilisation carried out by more autonomous central bank; start-1996 (previously multiple) exchange rates unified with large devaluation, reserve requirements unified, credits directed by presidential decree suspended, moves towards market-determined interest rates, banking supervision improved; from mid-1996 forex auctions, but heavily controlled, and commercial bank rate diverges from official; complications from operations of Foreign Exchange Reserve Fund; late 1996 wages doubled by decree and directed credits resumed at large scale, but central bank sold more foreign exchange 1997, stabilising exchange rate, and reduced frequency of credit auctions to control liquidity; main monetary instrument is now forex sales, with reserve requirements not often changed and treasury bills, issued on tap by government, playing no monetary role; 1997 rising arrears lead to recurring suspensions of gas exports to Ukraine; exchange rates re-	loosely structured discretion LSD

	unified April 1998 with devaluation; Russian crisis August 1998; commercial bank forex market closed end-1998; rise of extrabudgetary funding, continued directed credits, forex rationing; 1998-9 bank restructuring strengthens government control, central bank financing of budget deficits (automatic, via overdrafts) increases, growing parallel market premium and rising external debt, little progress on structural reform; from 1999 with resumed gas exports to Russia and Ukraine, high hydrocarbon-driven growth (even on sceptical IMF estimates) brings major economic recovery, with falling inflation, but state retains dominant role in economy, economic (and political) controls are tightened, and macro policies remain inconsistent; quasi-fiscal activities and extrabudgetary funds preclude fiscal transparency; official exchange rate pegged to USD but massive spread (> 400%) in parallel market; 2005 IMF still not convinced by high growth rates reported by Turkmen government, authorities continue to insist on state-driven, control-heavy, economic strategy	
2008-17	policy changes under more outward-looking government from 2007 including exchange rate unification and reorganisation of forex market over first four months of 2008, with currency then pegged to USD at rate closer to preceding parallel market rate (whose premium largely disappears), plus plans to limit directed credits and reform banking sector; 2009 currency redenomination (1 new manat = 5000 old), banking sector reforms, but directed lending (sterilised by forex sales) continues; limited effects from GFC; some movement away from state-dominated to more market economy, but very slow, e.g. economy remains financially closed with banks largely state-owned and lending mainly to SOEs; new state development bank 2011 takes over some directed lending from central bank, but authorities resist IMF pressure to eliminate this practice, or to allow greater exchange rate flexibility (which would require major prior developments in monetary policy and financial markets); start-2015 fall in energy prices and Russian slowdown lead to large devaluation; heavy controls on forex transactions remain; some improvement in collection and production of statistical data over period, but data mostly not published	augmented exchange rate fix AERF

Selected IMF references: [note BPSA 1993 not available] SR 1993 pp7, 11-13, 17-19; BPSA 1995 pp1-2, 28-9, 32-4, 37, 40, 42, 47-9; SR 1995 pp3, 5, 8-9; RED 1996 pp1, 20, 24-7, 35-6; SR 1996 pp5-6, 14-16; RED 1997 pp32-6, 38-41, 53-6, 92-6; RED 1998 pp6, 42-5, 51, 57-8; RED 1999 pp7-8, 33-4, 37-8, 40; SR 1999 pp4-10; [Note no Article IV reports 2000-03 because of data inadequacy and political events] SR 2004 pp5-19, 35; SR 2005 pp7-13, 16-18; SR 2007 p8; SR 2008 pp8-9, 12-13, 14-15; SR 2009 pp4, 8-10; SR 2010 pp10-11; SR 2011 pp8-10; SR 2013 pp10-13, 15; SR 2015 pp15-16, 23; SR 2018 pp6, 16-17, 18, 22.

Uzbekistan experienced a less difficult exit from the USSR than some FSU countries, introduced its own currency in 1994, but insisted on maintaining a dominant economic role for the state. In principle it pursued economic growth and price stability, with heavy controls on foreign trade and exchange, a banking system subject to a range of interventions, and inflation and growth data which were disputed. In the absence of effective instruments (reflecting the limited development of both banks and financial markets), it came to rely from the early 2000s on a managed float of the main exchange rate supported by a range of varying controls and restrictions, until at the end of the period a change of president opened up the possibility of genuine forex liberalisation and structural reform.

Years	Targets and attainment	Classification
1992-4	independence (out of USSR) declared September 1991, slow and partial moves towards market economy, with state retaining extensive control; branches of USSR banks made into local central and large commercial banks early 1991, some other new small commercial banks; initial commitment to staying within ruble area, but disruptions from monetary policies in Russia and from breakdown of USSR trade and payments arrangements, Russian currency reform mid-1993 and failure to agree on new ruble zone lead to issues of sum coupons (at par with and to circulate alongside new Russian ruble) November 1993, with limit on amount to be exchanged, prior to issue of new national currency in early 1994; early 1992 cash shortage; from mid-1992 rapid expansion of credit to government and SOEs; mid-1994 new currency sum (= 1000 sum coupons) issued, with official rate pegged to USD, unified with cash rate based on depreciated parallel market rate late 1994 and then determined via weekly forex auctions, amidst efforts to tighten policy on both stabilisation and structural reform; interbank credit auctions weekly and with higher volume from late 1994	unstructured discretion UD
1995-2017	central bank gets high degree of independence plus more control of and responsibility for gold and forex reserves 1995-6, but one large state-owned bank continues to have role; reserve requirements gradually reduced; treasury bills issued (by auction) from 1996, some bought by nonbanks, slow growth of secondary market; 1996 central bank short-term CDs issued; ongoing banking reforms; expansionary policies countered by growing exchange restrictions, start-1997 multiple currency arrangement formalised with three legal forex markets (and auctions now daily); continuing directed credits via banks to agriculture and industry, as part of import-substitution strategy; trade and exchange controls, import compression; central bank repo operations from late 1997; authorities resist pressure for forex market unification and liberalisation, and spread between parallel and official forex markets widens; problems of data on inflation (arguably underestimated) and GDP growth (overestimated?); as of 1999 monetary policy complicated	loosely structured discretion LSD

<p>by directed lending and lack of effective instruments; mid-2000 official and commercial bank exchange rates unified, reducing overvaluation, but two new rates introduced and forex regime made even more restrictive, authorities resist calls for full exchange rate unification and wider-ranging liberalisation; 11 September 2001 and Afghanistan regime change lead to major announced shift in policy towards structural reform; 2001-2 exchange rates unified and depreciated but still managed, while forex liberalisation limited and trade restrictions increased; IMF still regards data on inflation and growth as distorted; 2001 central bank limits then terminates directed lending, and moves towards control of reserve money via operations in CDs; some forex liberalisation but more trade restrictions 2002-3; banking system weak and inefficient, partly due to state actions of various kinds, from periodic cash restrictions to role of banks in tax administration, leading to decline in financial intermediation; 2003 sum becomes convertible for current account purposes; 2004 human rights abuses and lack of economic reform lead EBRD to reduce its aid; 2005 IMF continues to rely on its own inflation estimates; 2006 Fund for Reconstruction and Development set up, with aim of accumulating excess resource revenues and channelling them to fund government-selected long term projects; by 2006 policy of gradual nominal depreciation vs USD (in face of high external inflows); GFC leads to falls in exports and remittances, but effects limited by strong credit and fiscal policy response; authorities resist IMF calls for lower role for state and greater exchange rate flexibility; 2011-12 depreciation rate increased, central bank continues to accumulate arguably excessive forex reserves; 2014-15 spillovers from Russian political and economic developments, including unwanted real appreciation and widening spread in parallel market; forex market remains highly restricted; change in development strategy under new president from end-2016 aimed at opening and liberalising economy, with forex market liberalisation late 2017, initiation of range of other structural reforms, and plan for medium-term move to inflation targeting, plus adoption of much needed reforms to quality and availability of economic data</p>	
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