

# **Individual country details: Other Europe**

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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 Statistical Appendix = REDSA

Recent Economic Developments and Selected Issues = REDSI

Selected Economic Issues = SEI

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

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

**Albania** was an isolationist centrally planned economy in the 1970s and 1980s. It had a somewhat chaotic transition in the early 1990s, but then began to implement a more coherent monetary policy, including a flexible exchange rate, before moving in 2000 to a form of inflation targeting with limited monetary instruments and limited central bank forecasting capacity.

Years	Targets and attainment	Classification
1974-89	[Note: no IMF sources available before 1992] largely closed economy, comprehensive central planning, monobank undertaking both central and commercial bank functions, plus some specialised financial institutions	multiple direct controls MDC
1990-92	international political upheavals from 1989 lead to major economic (and political) crisis despite very limited reforms in some areas 1989-90, with steep declines 1991 in industrial and agricultural production, collapse of tax revenues and massive rise in domestic credit; successive devaluations but rapid growth of parallel forex market with soaring premium; political pluralism allowed late 1990, old governing party wins 1991 elections but political tensions lead to transition government mid-1991, then new government elected 1992 embarks on wide set of reforms	unstructured discretion UD
1993-99	official exchange rate abolished July 1992, unified rate determined in domestic interbank market, wider trade and exchange liberalisation; difficult move to two-tier banking system from mid-1992, foreign bank entry from late 1993; fiscal deficits reduced, hard budget constraints imposed on SOEs, while central bank relies on credit ceilings for non-government sector, introduces refinancing window and reserve requirements, encourages interbank market and begins to use interest rates; many statistics poor but efforts to improve; treasury bill auctions from mid-1994, teething problems; growth of pyramid schemes outside formal financial sector which attract huge deposits but collapse late 1996/early 1997, leading to riots, economic crisis, near civil war, and new government which closes pyramid companies, stabilises economy and reinforces structural reform (including rise in central bank autonomy); as of 1997 forex trades dominated by curb market, interbank market remains thin; dominant state-owned banks remain technically weak, and central bank still relies on credit ceilings in pursuing its primary target of price stability, with only occasional forex interventions; 1999 short-lived influx of refugees from Kosovo	loosely structured discretion LSD
2000-17	2000 bank credit ceilings abolished, minimum deposit rates phased out, standing facilities to create interest rate corridor, weekly repo auctions become main instrument; narrow inflation target announced and mostly met, but transmission mechanism unclear and forecasting capacity weak; fiscal discipline inconsistent; moderate, stable euroisation; 2003 database remains poor in parts; 2004	loose inflation targeting LIT

<p>privatisation of old banks finally completed; credit boom mid-2000s, prudential/supervisory as well as monetary reaction; previously built-up buffers allow policy response to avoid recession from GFC, but recovery slow and hard, impeded by euro area crisis 2010-12; 2009 application to join EU; ongoing efforts to improve bank supervision and reduce NPLs; euroisation now higher; secondary financial markets remain limited; 2014 some statistical data still poor; 2011-15 limited forex interventions but exchange rate stable vs euro, policy rate follows ECB rate with narrowing spread, while interbank rate tracks policy rate; longstanding problem of slow credit growth; 2017 efforts to reverse euroisation; inflation targets still mostly met, but monetary transmission to economy weak, central bank independence and forecasting capacity still limited; most statistics now adequate but national accounts remain weak</p>	
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Selected IMF references: RED 1992 pp19-23, 24-6 27-8, 82; SR 1992 pp1-6, 9, 12; RED 1994 pp1-2 16-21; BI 1995 pp1-16; SR 1995 pp50-2; RED 1997 pp14-17, 27-31; SR 1997 pp8, 12-13, 16-17, 19-22; SR 1998 pp5-6, 9, 22-5; REDSA 1999 pp11-13; SR 2001 pp15, 17; SR 2003 pp4, 12-13; SISA 2005 pp4-20; SR 2005 pp12-15; SI 2006 pp72-9; SR 2006 pp13-15; SR 2008 p15; SR 2010 pp4-8, 17; SR 2012 pp46-7; SR 2014 pp18, 23-4; SR 2016 pp16-20; SR 2019 pp16-18; SRIA 2019 pp7-8.

**Belarus** was initially in the ruble area, and exposed to the problems of the Russian economy, but by 1993 it had moved to an awkward mix of its own currency with many elements of the previous central planning. Throughout there were on-off moves towards closer integration with Russia (and rises and falls in the energy price charged by Russia). From 2000 monetary policy itself became less incoherent but the persistence of directed and subsidised credits to SOEs and periodic attempts to stabilise the exchange rate continued to obstruct effective policymaking.

Years	Targets and attainment	Classification
1992-99	independence August 1991 (out of FSU); at first continued use of ruble, but shortage of currency leads to resort to cheques; central bank (from Belarusian branch of USSR central bank) and range of commercial banks, some of them ex-USSR specialised banks, most owned in part by major clients; main monetary instruments are reserve requirements, refinancing rate and overdraft rate; but membership of ruble area dominated by Russia (though financially segmented) limits role for domestic monetary policy, exposes economy to hyperinflation and payments system difficulties; January 1992 (at time of major price liberalisation) cash shortage leads to issue of coupons in proportion to income payments, required (with roubles) for purchase of many goods; May 1992 central bank reacts to cash shortages by issuing 'rubel' payment certificates as parallel currency at fixed parity, late 1992 these rubels made obligatory for many purchases; by end-1992 rubels account for 80% of banknotes in circulation, by June 1993 96%; 1993 law limits central bank lending to government and gives central bank more control of interest rates (which remain negative in real terms) and reserve requirements; more emphasis on credit aggregates, banks no longer obliged to lend for planned investments; auctions of central bank credit 1993; from January 1992 FSU exchange system replaced by national controls, with multiple exchange rates, partly consolidated early 1993 with move to auctions operated by central bank; mid-1993 Russian monetary reform, then Belarusian forex crisis; 1993-4 monetary and economic unification with Russia discussed but not agreed; 1994 stronger government pressure on bank credit allocation; noncash Belarusian ruble used from mid-1992, fluctuates vs other noncash rubles from late 1992, but cash Belarusian ruble (rubel) declared legal tender only May and sole legal tender August 1994; new government from mid-1994 leads at first to more decisive stabilisation and structural reform policies, including monetary policy focused on stabilising exchange rate vs USD, and making more use of interest rates; 1994-5 further forex and trade liberalisation; earlier restrictions on conversion of noncash rubels to cash lifted end-1994; peg to USD held most of 1995 and early 1996;	unstructured discretion UD

	customs union with Russia (and two other FSU republics) 1995; some use of central bank and government security issues; recurring policy slippages, prior liberalisation measures reversed, resort to administrative measures in forex market and elsewhere, with expansionary monetary policy via subsidised credit allocation directed by presidential administration; little structural reform, easy access to credit for SOEs, rise in enterprise arrears, weakening of banks' finances; late 1996 rise of parallel forex market where rate depreciates faster than official rate through 1997; forex crisis March 1998, authorities respond by tightening controls, while economy becomes more dependent on financial assistance from and barter trade with Russia; August 1998 Russian financial crisis has adverse effects including fall in growth and further sharp depreciation, but policy not immediately tightened and no change to strategy of large directed credits plus strong state controls; high but varying dollarisation; longstanding practice of off-budget public spending via banking system; 1999 political and economic union with Russia agreed;	
2000-17	2000 exchange rate unification and adjustable crawling band vs Russian ruble announced, but de facto target remains previous informal anchor, USD; goal but not details of monetary union with Russia agreed; limited structural reform, but large centrally-mandated USD wage targets; IMF repeatedly criticises monetary and exchange rate policies, and calls for serious structural reform; ongoing banking sector fragility; disagreements with Russia 2002 over political and monetary unification; 2003 Russian ruble appreciates, Belarus dual exchange rate targets become more problematic, decline in enthusiasm for unification in both countries; state intervention in economy remains high, even rises, quasi-fiscal activities remain important; 2000s some remonetisation and dedollarisation; subsidised energy imports from Russia contribute to growth, while price controls help to hold down inflation; liquidity crunch late 2004 concentrated in two largest state-owned banks (despite recapitalisations); by 2005 failure to agree key details renders monetary union impossible by 2006 target date; 2006 wider disputes between IMF staff and authorities; 2007 sharp rise in Russian energy price paid by Belarus; 2008-9 adverse effects of GFC cushioned by large devaluation vs USD early 2009, switch of peg to basket and smaller subsequent depreciation within band, supported by rise in directed lending; reduced subsidies on energy imports from Russia; Common Economic Area agreed with Russia, Kazakhstan late 2010; exchange rate band adjusted start-2011; macro and wage policies loosened 2010, forex crisis with sharp depreciation March 2011, policies more stabilising from	loosely structured discretion LSD

<p>June 2011; late 2011 partial restoration of Russian energy subsidies; 2013-14, against IMF advice, authorities insist on continuing directed lending and not tightening macro policy; stop-go policies with renewed forex crisis and inflation spike in 2014; 2015 large devaluation, crawling peg replaced by flexibility guided by currency basket plus money targets; more focus on ongoing weaknesses in financial sector; 2015 Eurasian Economic Union; 2015 on more serious moves towards stabilisation, liberalisation; 2016 currency reform (redenomination); planned adoption of inflation targeting, but some important prior measures required; statistical data adequate by end of period</p>	
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Selected IMF references: Pre-membership Economic Review Supplementary Information March 1992 pp11-18; RED 1993 pp18-27, 36-8, 111; SR 1993 pp10-14, 15-16; RED 1994 pp26-32, 35, 40-2, 134, 150-2; SR 1994 pp12-15; RED 1995 pp26-32, 36, 43-5, 143; RED 1996 pp25, 32, 38-40; SR 1996 pp2-7, 9-10, 11-12; RED 1997 pp33, 37-40, 44-5, 47; RED 1998 pp7-8, 32, 37-40, 43-7; SR 1998 pp13, 23-6; RED 1999 pp6-7, 14-18, 95-102; SR 1999 pp5-13, 15-17; RED 2000 pp34-8; SR 2001 pp5, 7, 11-12, 13, 16-19; SI 2002 pp47-48, 56; SI 2003 pp42-6; SR 2003 pp8, 15-18; SR 2004 pp5-10, 13, 15, 18, 19-20; SI 2005 pp13-15; SR 2005 pp6-7, 10, 11-13, 16-17; SR 2006 pp5-6, 9, 11-12; SR 2007 pp6-8, 14-15; SR 2009 pp1, 5, 7, 9-11, 12, 16-20; SR 2011 pp3-7, 17; SR 2012 pp4-5, 7; SR 2013 pp8-10; SR 2014 pp4-5, 10, 12-13; SR 2015 pp4-7, 9-15; SR 2016 pp6-7, 9-11, 15-20; SR 2017 pp4-7, 16-18. Other references: Miksjuk et al. (2015).

**Bosnia and Herzegovina** experienced several years of civil war and monetary chaos following independence in 1992, but the Dayton peace agreement at the end of 1995 included a plan for a new countrywide central bank to operate a currency board, and this was one of the few state-wide and effective institutions from when it issued the new currency in 1998.

Years	Targets and attainment	Classification
1992-5	independence (exit from Socialist Federal Republic of Yugoslavia) 1992 followed by 3-4 years of civil war with dire economic effects; two currency arrangements, two governments, heavy central bank deficit financing in both, hyperinflation 1992-3, widespread use of other currencies, some stabilisation from 1994 in Bosniak-majority area with peg to Deutsche mark (DM) but less in Republika Srpska (RS) which issued own currency 1992-3 and then adopted Yugoslav dinar 1994, while Croat-majority area used Croatian kuna and DM	unstructured discretion UD
1996-97	peace agreement end-1995 leaves major economic powers in hands of 2 constituent entities = Federation (Bosniak- and Croat-majority areas) and RS; plan for country-wide central bank to operate currency board for at least 6 years, 1996 Bosniak-Croat currency and payments arrangements partly integrated but RS financial system separate; in Federation large number of banks but many in Bosniak-majority area insolvent, central bank relies on forex intervention, reserve and liquidity requirements, discount facilities; in RS range of banks, most financially weak with high NPLs, while central bank, itself financed by Serbian central bank, relies on reserve and liquidity requirements and various credit facilities to its banks	loosely structured discretion LSD
1998-2017	August 1997 new central bank begins to operate, as largely independent currency board on DM, under governor appointed by IMF and with restrictive legal statutes, with new 'convertible marka' (KM) currency initially as unit of account but banknotes issued mid-1998; most state-owned banks financially weak, but new, small, private and some foreign-owned banks starting up; efforts for cross-region integration of banking system laws, bank supervision and payments systems, with closure of monopolistic payments bureaux operating in each entity; significant remaining legacies from Yugoslav past and from civil wars, some disruption from Kosovo dispute 1998-99; new currency rapidly becomes accepted in all areas, forex reserves increased, while fiscal deficits gradually brought under control; conversion from DM mainly to KM (and of peg from DM to euro) 2002; 2004 many key statistics still unreliable; reserve requirements are only monetary instrument, reformed 2003, separated between short- and long-term deposits 2008, but not varied regularly; no lender of last resort capacity; fiscal council set up mid-2006, but continuing constitutional issues impede reform, e.g. on integrating bank supervision; adverse effects from	pure currency board PCB

<p>GFC, but appropriate (fiscal and financial stability) policy response; reviving constitutional/political tensions after 2010 elections delay policy decisions; improvements to banking supervision and resolution; domestic capital markets remain very limited; statistical database improved by end of period but some weaknesses remain</p>	
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Selected IMF references: SR - Use of Fund Resources— Emergency Post-Conflict Assistance 1995 pp1-10; RED 1996 pp22-45, 119, 123; SR 1996 pp4-6, 8-12; SI 1998 pp9-10, 14-29; SR 1998 pp12-15, 19-20; SISA 2000 pp15, 19-26; SR 2000 pp4-12; SR 2002 pp12, 19-20; SEI 2004 pp4-14; SR 2004 pp15-17; SR 2006 pp11, 16-17, 18-19; SR 2007 p18; SR 2010 pp4, 9-13; SR 2012 pp13-14; SR 2015 pp15-19; SR 2018 pp16, 47-8, Informational Annex pp9-10.

Other references: Central Bank of Bosnia and Hercegovina (2017, pp19, 21-2).

**Kosovo** euroised from 2000, at an early stage in its separate development, and continued that policy after it claimed independence in 2008.

Years	Targets and attainment	Classification
2000-17	formally province of Serbia, under UN administration (UN Mission in Kosovo, UNMIK) from June 1999 following war involving Serb forces and NATO bombing; 1999 use of DM (replaced by euro 2002) legalised, dinar remains legal tender but falls out of general use; Banking and Payments Authority set up to develop payments and banking systems, later bank supervision and regulation; strong remonetisation; new Constitutional Framework 2001 includes provisional institutions of self-government; elections to Assembly 2001, 2004; 2008 new government declares independence (not recognised by Serbia); 2008 central bank set up, with focus on financial development and stability; limited adverse effects from GFC 2008 (most banks foreign-owned, limited international integration except for high and continuing inflow of remittances); 2010 central bank legal powers extended; issues of fiscal control in context where no public debt securities existed before 2012 (first treasury bills); issue of appropriate level of forex reserves; efforts to develop framework for emergency liquidity assistance; 2014 fiscal rule	use of another sovereign's currency UASC

Selected IMF references: *Kosovo – Macroeconomic Issues and Fiscal Sustainability* 2000 pp3-6; *Kosovo – Institutions and Policies for Reconstruction and Growth* 2002 pp2-8, 11-13, 17-19; *Kosovo – Gearing Policies towards Growth and Development* 2004 pp38-50; Request for SBA 2010 pp4-6, 10-11; SR 2011 pp3-5, 19; SR 2013 pp9-12, 22-3; SR 2015 pp10-12.

**Moldova** initially suffered from the difficulties of the Russian economy, but left the ruble area and introduced its own currency two years after independence. Monetary and exchange rate policies and institutions evolved over a long period at the end of which it adopted inflation targets, But it was unable to attain the targets consistently for more than a few years.

Years	Targets and attainment	Classification
1992-93	independence (out of USSR) August 1991; relatively rich Trans-Dniester region seeking independence since 1990, armed conflict 1992 with Russian involvement, ceasefire mid-1992; at first continued use of Russian ruble but aim of introducing new national currency, within wider but gradual move to market economy; central bank set up mid-1991 from local branch of USSR central bank, short on personnel and expertise, able in principle to set limits on banks' interest rate spreads, to set quantity and price of refinancing and to set reserve requirements, but large fiscal deficit and credit allocation is decided mainly by government; other banks reorganised, some new small commercial banks; membership of ruble area limits scope of monetary policy and exposes economy to Russian developments; 1992 cash shortage, large inter-enterprise arrears, rapid credit expansion allowed; ruble-denominated coupons issued mid-year become main element of cash in circulation; fixed official and floating interbank exchange rates, unified at market rate September 1992; interest rates aligned with Russia; Russian currency reform mid-1993	unstructured discretion UD
1994-2011	after phasing out of preferential credits to priority sectors and start of central bank regular credit auctions, national currency issued November 1993 at rate of 1 leu = 1000 coupons; start-1994 central bank given responsibility for monetary policy and greater role in bank supervision; central bank now using reserve requirements and interest rates more, as well as credit auctions, with focus of policy on reserve money; forex interventions limited in principle to smoothing, but in practice exchange rate stabilised vs USD; treasury bills issued but secondary trading limited; some OMOs from 1997; ongoing issues of fiscal control, continuing delays to structural reforms; Russian financial crisis August 1998 has severe adverse effects including sharp depreciation, renewed rise in inflation, weakening of banking sector, and rapid dollarisation; heavy use of reserve requirements; treasury bill market freezes but recovers from 2000; major change of government 2001 delays, but does not alter direction of, economic policies; remittances from workers abroad become more important from 1998; 2004-5 political pressures for exchange rate stability vs USD; 2005 greater use of issues of central bank certificates and deposit auctions; increased focus on European integration; 2006 Moldovan wine subject to Russian embargo; 2006 price stability made primary goal of central bank, but financial markets still shallow,	loosely structured discretion LSD

	monetary transmission weak, and dollarisation high; 2007 rising FDI inflows; GFC 2009 leads to deep but short recession; 2010-12 adverse effects from euro area crisis; 2010 new monetary policy strategy announced, including inflation target pursued mainly via OMOs, with policy rate and wide corridor, but targets well overshot 2010, 2011	
2012-14	wide inflation targets met; 2012 drought; rising concerns about financial problems at some banks; 2014-15 political deadlock and tensions; late 2014 banking crisis: disclosure of fraud in three related large banks leads 2015 to their collapse and costly closure, collapse of (local currency) interbank market, and resignation of central bank governor and first deputy governor	loose inflation targeting LIT
2015-17	inflation targets well overshot 2015, undershot 2016 and overshot 2017, no data on expectations; shallowness of financial markets, weakness of banks and intermittent forex interventions make for poor monetary transmission mechanism; growth of lightly regulated non-bank credit organisations; statistical data adequate by end of period	loosely structured discretion LSD

Selected IMF references: Pre-membership Economic Review 1992 pp3-15; Pre-membership Economic Review Supplement 1 pp60-3; RED 1993 pp18-22, 24, 78-83; SR 1993 pp5-9; RED 1994 pp16-21, 24-25, 73-4; RED 1995 pp12, 67-8; SR 1995 p10; RED 1996 pp17-20, 23; SR 1996 pp17-19; RED 1998 pp21, 25, 28-34; SR 1998 pp8, 13-16; RED 1999 pp19-23, 36-8; RED 2000 pp23-5, 35; SR 2000 pp18-19; SR 2004 pp13-14; SI 2005 pp7-8, 12-22, 25-6; SR 2005 pp7, 14-16, 24-5; SR 2006 pp9, 13, 17; SR 2008 pp10-12, 19-21; SI 2010 pp31-5; SR 2010 pp15-16, 17; SR 2014 pp8-9 14-15; SR 2015 pp7-10,15-16; SR 2017 pp8-10, 13-15, 18-19; SR 2020 pp22-4; SI 2021 pp3-12.

Other references: National Bank of Moldova (2010, 2012) and website for data.

**Montenegro** had euroised even before it left the union with Serbia in 2006, and continued that strategy afterwards, despite recurring problems with fiscal deficits and a rising government debt ratio.

Years	Targets and attainment	Classification
2001-17	joined with Serbia in Federal Republic of Yugoslavia and its successor State Union of Serbia and Montenegro, but beginning to decouple with adoption of Deutsche Mark as parallel currency 1999 and sole legal tender end-2000, then euro; 2006 referendum followed by independence; government aims to join EU; central bank (set up 2000) concerned with credit growth, banking supervision and regulation; large and growing banking sector, mainly foreign-owned, highly concentrated; post-independence boom followed by large impact from GFC; central bank responds strongly, but banking system needs major and lengthy adjustment; structural fiscal deficit emerges and leads to increasingly problematic long-term rise in debt ratio; 2010 legal changes raise central bank independence and tighten banking regulation; very large highway project from 2015 further increases debt ratio, despite strategy of fiscal consolidation; statistical data better by end of period but still needing improvement	use of another sovereign's currency UASC

Selected IMF references: SR Serbia and Montenegro 2005 p11; SI 2008 pp5, 11-14, 65-6; SR 2008 pp10-11, 20-1; SR 2009 pp7-9, 14-16; SR 2010 pp5-7, 11-14; SR 2011 p11; SR 2012 pp15-16; SR 2015 pp14-18; SRIA 2017 pp6-7.

**North Macedonia** had some years of incoherent policy at first but then settled on an arrangement under which, although no formal parity was specified, the exchange rate was de facto pegged to the DM/euro and monetary policy was focused successfully on its stability.

Years	Targets and attainment	Classification
1992-93	independent late 1991, out of breakup of Yugoslavia, first as Former Yugoslav Republic of Macedonia, from 2019 as North Macedonia; April 1992 new Macedonian denar, initially pegged to DM, devaluation October 1992 and switch to basket peg, rising parallel market premium, further devaluation December 1992, peg abandoned mid-1993; new central bank uses selective credit refinancing facilities, also reserve and liquidity requirements, but accommodates SOEs' credit demands; currency reform May 1993; old, financially unsound, commercial banks controlled by client SOEs, new banks set up from 1993	unstructured discretion UD
1994-97	early 1994 fiscal and monetary stabilisation programme focused on reserve money and inflation, with passive rediscounting of commercial bank credits to SOEs replaced by other mainly direct monetary instruments; efforts to accelerate structural reforms; 1995-6 exchange rate stabilised, restructuring of major bank; 1996 interbank money market set up, volume remains limited; failure of large savings house 1997, moves to clean up financial sector more widely; mid-1997 devaluation vs DM;	loosely structured discretion LSD
1998-2017	primary objective is price stability, nominal anchor is exchange rate vs DM (later euro) but no formal parity specified, reserve money is intermediate target, while active instruments are bank-by-bank credit ceilings and central bank daily short-term credit auctions; payments system in need of reform; first half 1999 Kosovo crisis effects limited, quick recovery; credit auctions give way to weekly auctions of central bank bills at various maturities, credit ceilings become supervisory rather than monetary devices, by April 2000 monetary instruments are mainly indirect; 2001 uprising by ethnic Albanians, ending with peace agreement conferring more power and recognition to Albanian minority; payments system reform 2001; 2002-3 more volatility in exchange rate but stability restored at preceding level; 2003 reorganisation of forex market; central bank bill auctions move from fixed price to fixed quantity; 2004 application to join EU, blocked by Greece over dispute about name; as of 2006 relatively low monetisation and financial intermediation, considerable euroisation; by 2006 some improvement in government securities market; effects of GFC 2008 largely contained; as of 2009 main monetary instrument is 28-day central bank bill, though transmission is weak and unclear, but reserve requirements and macro- and micro-prudential policies remain important; policy rate but no corridor; imperfect capital mobility (due to limited integration with	loose exchange rate target LERT

	<p>global financial system) allows for limited monetary autonomy; some gradual de-euroisation; 2012 adjustments to bill auctions, new deposit facility and new weekly facility for banks to obtain liquidity; 2015-16 domestic political tensions, adverse effects from Greek crisis, strong action taken to avoid depreciation; 2017 political deadlock after elections obstructs policymaking, but mid-year new government; statistics mostly acceptable by end of period</p>	
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Selected IMF references: RED 1993 pp16-22, 32-3, 81; SR 1993 pp2-3, 4-6; RED 1995 pp1, 11-13, 27-8; SR 1997 pp4, 5, 17-19; RED 1998 pp37-8, 39-44, 78-80; RED 2000 p17; SR 2000 p21; SR 2002 pp12, 22-3; SR 2003 pp14, 16; SI 2006 pp54-9; SR 2006 p27; SI 2009 pp9, 12-14; SR 2009 pp4-5, 11, 20; SR 2011 pp19-20; SI 2012 pp3-5, 15-16, 22-3, 25-9; SR 2012 pp9, 15-16; SR 2014 p19; SR 2015 pp8, 12-13; SR 2016 pp15-16; SR 2017 pp4; SRIA 2017 pp10-11.

**Serbia** had years of conflict in the 1990s, with little or no coherent economic policies. Reform and stabilisation from 2001 involved elements of exchange rate stabilisation and very high euroisation, together with gradual developments towards indirect monetary instruments and eventually inflation targeting (unusual with such high use of foreign currency).

Years	Targets and attainment	Classification
1993-2000	[No IMF reports, no data, classification tentative] initially Serbia was dominant element of Federal Republic of Yugoslavia, and of its 2003 successor the State Union of Serbia and Montenegro, both including Montenegro, but latter formally euroised end-2000 and became independent in 2006; currency in Serbia initially old Yugoslav dinar, which had been experiencing high inflation for many years and underwent hyperinflation in early 1990s, with currency conversions 1992, 1993 and (twice) 1994; exchange rate floating; high inflation again in late 1990s; conflicts in first half of 1990s and Kosovo war 1998, with multiple adverse effects; little structural change to economy from socialist policies of 1980s; formal fiscal deficits kept low by unsustainable means including drastic expenditure cuts, non-servicing of external debt, build-up of non-debt arrears and quasi-fiscal lending (mainly to agriculture and energy) by central bank	unstructured discretion UD
2001-08	from late 2000 stabilisation, reconstruction and reform under new government, with international isolation ended, managed float of unified exchange rate, end of quasi-fiscal lending, fiscal tightening, limits on central bank borrowing by government and wider structural reform; restructuring of monetary instruments: 2000 resumed issue of central bank bills, 2002 reform of reserve requirements and new central bank lending facilities; remonetisation from low base, continuing euroisation; bank restructuring including closure of four large state-owned banks; 2003 on political tensions following assassination of prime minister hinder reforms; alternating concerns of monetary policy with inflation and external deficit make for swings in exchange rate policy which undermine credibility and encourage euroisation (which reaches 70% for loans and deposits); by 2006 central bank using repos as instrument but pass-through to other interest rates weak and no real interest rate corridor; early 2006 shift towards more exchange rate flexibility, with view to gradual transition to inflation targeting; adverse effects from GFC 2008	loosely structured discretion LSD
2009-12	formal wide converging continuous targets for headline inflation met 2009-10, missed 2011-12; expected inflation within band most of 2011 but above band from late 2011	loose converging inflation targeting LCIT
2013-17	formal wide continuous targets for (volatile) headline inflation missed 2013, near-missed 2014-16, met 2017; inflation expectations above band from 2013 to mid-2014; wide interest rate corridor, transmission from policy rate to	loose inflation targeting LIT

	money market rates remains weak; very gradual decline in euroisation; IMF urges more flexibility of exchange rate	
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Selected IMF references: First Review under SBA September 2001 pp4-8, 11-13; SISA 2002 pp4, 14-21; SR 2002 pp5-8, 16-19; SISA 2005 pp67-75; SR 2005 pp9-10, 13-14, 16-17; SI 2006 pp42-6; SR 2006 pp19-21; SR 2008 pp7-8; SR 2010 p13; SI 2013 pp122-30; SR 2013 pp11-12, 29; SR 2015 p31; SR 2017 pp17-19, 34, 80-3; SR 2019 pp15-17.

Other references: National Bank of Serbia website for *Inflation Reports* and data.

**Ukraine** took several years from its exit from the USSR to develop coherent strategies and institutions, and then stabilised its exchange rate for many years (with periodic adjustments). Policy weaknesses and exogenous forces led to a float of the exchange rate in 2014 and Ukraine subsequently moved towards the adoption of inflation targeting.

Years	Targets and attainment	Classification
1992-96	independence (exit from USSR) late 1991 but continued membership of rouble area; central bank and initially four specialised state banks created in 1990-1, but many small commercial banks also being set up; single-use coupons (valid and required only in state stores), issued in 1991, in 1992 become multiple-use and function as surrogate currency (amid shortage of roubles and collapse of rouble payments system throughout former USSR); inflation spike from price liberalisation early 1992; build-up of large inter-enterprise and inter-state arrears, to which Russian central bank reacts harshly; late 1992 coupons become Ukrainian currency 'karbovanets', with exit from rouble area in context of multiple and falling exchange rates; large budget deficits and SOE credit demands financed entirely by bank credit; sporadic attempts to tighten monetary policy via cuts in refinancing, rises in reserve requirements and credit controls, but repeatedly reversed; 1992-3 very high inflation leads to rising dollarisation and demonetisation; 1994 improvements in payments system and foreign payments arrangements; exchange rates briefly unified mid-1993 before reversion to multiple rates and renewed restrictions; 1994 new law on separation of powers allows start of stabilisation and reform programme, including liberalisation of prices and of forex market (exchange rates re-unified, with some intervention) and credit contraction, but political tensions continue to obstruct economic reforms; 1995 first issues of treasury bills; mid-1996 new constitution	unstructured discretion UD
1997-99	late 1996 new permanent currency 'hryvnia' (= 100,000 karbovanets), exchange rate managed within informal and frequently adjusted band vs USD; August 1998 significant fallout including sharp depreciation from Russian financial crisis, but comparable crisis in Ukraine averted; early 1999 central bank issues own CDs	loosely structured discretion LSD
2000-13	2000 policy reverts to stabilising exchange rate de facto (at depreciated level), with official rate fixed daily by central bank and intervention to ensure interbank rate remains within narrow band around official; monetary policy is subordinate to peg and focused on base money, in context of remonetisation base money targets are often missed; some ongoing structural reforms, but delays to planned privatisations; as of 2003 monetary policy aims at price stability via exchange rate stability, but primary and secondary government securities markets are weak, there is no benchmark interest rate, forex interventions and	loose exchange rate targeting LERT

	reserve requirements are key policy instruments, and monetary transmission mechanism is not clear; 2004 acute political tensions but financial crisis averted; authorities resist IMF pressure for exchange rate flexibility 2004, but allow small appreciation 2005; 2005-08 authorities argue for gradualism over exchange rate flexibility and over eventual move to inflation targeting; deep adverse effect from GFC; exchange rate band widened early 2008, large depreciation with banking as well as currency crisis 2008-9; exchange rate stabilised from 2010 at new level; 2011 official rate set more closely in line with interbank rate, both heavily managed; authorities slow to phase out 2009 banking crisis measures and resistant to IMF pressure for exchange rate flexibility 2012-13 (and market expectations of devaluation late 2012), but current policy mix arguably involves exchange rate overvaluation plus large fiscal deficits (and quasi-fiscal losses) and is unsustainable, while monetary operations need range of reforms; rising political tensions late 2013 as president puts association agreement with EU on hold	
2014-17	early 2014 president removed from office, Russia annexes Crimea and sponsors secessionist movements in eastern Ukraine, triggering economic crisis with float (large depreciation) of exchange rate and deep recession, and increased central bank financing of budget; mid-2014 new programme involves shift to money-based operations as prelude to adoption of inflation targeting, plus insolvent bank resolution and reform; exchange rate mostly allowed to float, with further sharp but temporary depreciation and inflation spike 2015; late 2014 EU association agreement ratified, early 2015 Minsk Protocol; situation in eastern Ukraine remains unresolved with recurrent outbreaks of fighting; dispute with Russia over gas imports and tariffs; changes over several years to processes, communications and operational framework of monetary policy (including policy rate and corridor) lead to formal adoption end-2016 of (converging) inflation targeting; (informal) target for 2016 attained, (formal) target for 2017 overshoot	loosely structured discretion LSD

Selected IMF references: RED 1993 pp34-41, 43, 52, 53-5; SR 1993 pp2-5; RED 1994 pp3-4, 37-42, 46-7, 54-6; SR 1994 pp2-7; SR 1995 p7; RED 1996 pp1-3, 24, 26-8, 107-8; RED 1997 pp27, 30-6; RED 1999 pp46-47, 50-53; SR 1999 pp4 9-12, 21-2; SR 2002 pp13, 18-19; SI 2003 pp40-2, 44-8; SI 2004 pp60-7; SR 2004 pp21-5, 45; SR 2005 pp11-14, 20-3; SI 2006 pp45-7, 58, 61; SR 2006 pp26-8; SR 2008 pp9-10; SR 2012 pp16-17, 37, 50-8, 68-74; SR 2013 pp9-12, 21-2, 26, 65-8; SR 2014 (SBA request) pp5-8, 11-17; 1<sup>st</sup> Review under SBA 2014 pp5-12, 1<sup>st</sup> Review under Extended Arrangement 2015 pp4-6, 8-10; 2<sup>nd</sup> Review under EFF 2016 pp16-17; SI 2017 pp38-50; Request for SBA 2018 pp17-18, 25.

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