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CCAMTAC - Regional Research Seminar Series

"Central Bank Independence and Monetary Policy Effectiveness in the Middle East, Central Asia, and Caucasus"

July 13, 2026

Moderation:

Mr. Kassymzhomart Assangaziyev, Economic Analyst, CCAMTAC

Presenters:

Mr. Koba Gvenetadze, Resident Representative in the Republic of Uzbekistan, International Monetary Fund

Intervention:

Mr. Azat Kozubekov, Deputy Chairman, National Bank of the Kyrgyz Republic

The seminar featured a presentation by Mr. Koba Gvenetadze on the recently published IMF departmental paper examining the relationship between central bank independence (CBI) and monetary policy effectiveness in the Middle East, Central Asia, and Caucasus (MCD) region. Drawing on both legal (de jure) and practical (de facto) measures of central bank independence, the paper analyzed how improvements in central bank governance and autonomy have contributed to lower inflation and more effective monetary policy implementation across the region over recent decades. The analysis employed the Romelli index of de jure central bank independence and supplemented it with evidence from IMF safeguards assessments to gauge de facto independence. The findings suggest that stronger central bank independence is associated with lower inflation and improved inflation management, although the impact materializes gradually over time due to implementation lags, transmission mechanisms, and differences between legal frameworks and actual practice.

Mr. Gvenetadze highlighted that central banks operating under inflation-targeting regimes generally demonstrated stronger independence and were more successful in returning inflation to pre-pandemic levels following the global inflation surge of 2021–23. He noted that substantial progress has been made in strengthening monetary policy frameworks, limiting lending to governments, enhancing financial independence, and improving transparency and reporting. At the same time, challenges remain in the areas of governance, board composition, appointment procedures, and safeguarding de facto independence. The presentation also discussed emerging issues affecting central banks, including climate change, financial technology, and central bank digital currencies (CBDCs), emphasizing that any expansion of central bank responsibilities should remain consistent with their core mandates of price and financial stability. The paper concludes with policy recommendations focused on legal reforms, financial autonomy, governance improvements, accountability, communication, and continued capacity development support from the IMF.

Serving as discussant, Mr. Azat Kozubekov welcomed the paper as a timely contribution and reflected on the experience of the National Bank of the Kyrgyz Republic. He underscored the distinction between de jure and de facto independence, noting that while legal frameworks in many Central Asian countries have strengthened considerably, practical implementation remains an ongoing challenge. He highlighted the growing importance of digitalization, fintech, and CBDCs for central banks in the region, arguing that these developments can simultaneously create challenges for monetary policy implementation and offer new opportunities to improve policy efficiency. Mr. Kozubekov also suggested that future research could benefit from incorporating additional country-specific perspectives from central banks themselves in order to enrich assessments of de facto independence.

The discussion that followed focused on the measurement of central bank independence, differences between the Romelli and earlier Cukierman indices, and the challenges of capturing de facto independence. Participants examined the role of fiscal dominance, state ownership in the banking sector, and government-directed lending in influencing monetary policy effectiveness beyond what legal indicators may reflect. Additional questions addressed whether expanding central bank mandates to include financial stability, climate risks, and digitalization could create new channels for political influence. Responding to these concerns, Mr. Gvenetadze emphasized the importance of clearly defined legal mandates, transparent governance arrangements, and strong accountability frameworks. Participants also discussed communication strategies surrounding CBDCs and other complex policy initiatives, concluding that transparent and proactive communication, accompanied by financial literacy efforts, remains essential for maintaining public trust and institutional credibility.

The seminar generated a rich exchange of views among participants from central banks, international organizations, and academia, highlighting both the progress made and the remaining challenges in strengthening central bank independence across the region. The discussion underscored the continued relevance of institutional design, governance reforms, and capacity development in supporting effective monetary policy and macroeconomic stability.