



INTERNATIONAL MONETARY FUND

Caucasus, Central Asia, and Mongolia
Regional Capacity Development Center



DEVELOPMENT PARTNERS: ASIAN DEVELOPMENT BANK | CHINA | KOREA | POLAND | SWITZERLAND

MEMBER COUNTRIES: ARMENIA | AZERBAIJAN | GEORGIA | KAZAKHSTAN | THE KYRGYZ REPUBLIC | MONGOLIA | TAJIKISTAN | TURKMENISTAN | UZBEKISTAN

CCAMTAC Regional Webinar on “Financial Systems of Caucasus and Central Asia: Vulnerability To Shocks” Thursday, May 5, 2022

Introduction:

Mr. Norbert Funke, Director, CCAMTAC

Moderator:

Ms. Padamja Khandelwal, Deputy Unit Chief, Strategy and Planning Unit, Monetary and Capital Markets Department, IMF

Presenters:

Mr. Klakow Akepanidtaworn, Economist, Macro-Modelling and Monetary Division, Institute for Capacity Development, IMF

Mr. Sanan Mirzayev, Economist, Debt Policy Division, Strategy, Policy, and Review Department, IMF

Country Interventions:

Mr. David Utiashvili, Head of Financial Stability Department, National Bank of Georgia

Mr. Dauren Nissinbayev, Head of Banks Supervision Department, Agency for Regulation and Development of Financial Market, Kazakhstan

Mr. Atakhan Hasanov, Head of Financial Stability Analysis and Modeling Division, Financial Stability Department, Central Bank of Azerbaijan

Ms. Aytan Mammadova, Head of Prudential Policy Division, Prudential Policy and Methodology Department, Central Bank of Azerbaijan

Around the world, the banking sector has been coping with the implications of major recent shocks, first the Covid-19 pandemic and now the implications of the war in Ukraine. Introducing the analyses Ms. Padamja Khandelwal noted that the IMF Middle East and Central Asia Department (MCD) has been deepening its Caucasus, Central Asia (CCA) analytical and policy work, particularly since the Covid crisis. The presentations for this webinar were based on two recently published papers by MCD on “[Managing Financial Sector Risks from the COVID-19 Crisis in the Caucasus and Central Asia](#)” and “[Macroprudential Policies to Enhance Financial Stability in the Caucasus and Central Asia](#)”. How well banking systems can cope with shocks



INTERNATIONAL MONETARY FUND

Caucasus, Central Asia, and Mongolia
Regional Capacity Development Center



DEVELOPMENT PARTNERS: ASIAN DEVELOPMENT BANK | CHINA | KOREA | POLAND | SWITZERLAND

MEMBER COUNTRIES: ARMENIA | AZERBAIJAN | GEORGIA | KAZAKHSTAN | THE KYRGYZ REPUBLIC | MONGOLIA | TAJIKISTAN | TURKMENISTAN | UZBEKISTAN

depends on many characteristics, including the size and structure of the system, the level of dollarization, supervisory and regulatory frameworks, and the policy responses to shocks.

Mr. Klakow Akepanidaworn started by showing that banking systems in the region are relatively small, concentrated and with significant state presence. He presented aggregate stress test results, looking at liquidity risk, credit risk, foreign exchange credit risk. Although strong policy responses have cushioned the impacts of the COVID-19 crisis so far, financial sector risks should be addressed early to try to avoid large fiscal costs from bank distress. In the short term, authorities should phase out measures that are not in line with international standards, promptly recognize losses, intensify supervisory monitoring, rebuild capital and liquidity buffers, and strengthen private sector insolvency regimes. In the medium term, strengthening institution and financial sector policy framework including upgrading bank resolution and insolvency regimes would support balance sheet repair. Longer-term priorities include reducing the role of the state and promoting competition in banking systems, and diversifying financing sources, through capital market and fintech development.

In the second presentation, Mr. Sanan Mirzayev focused on macroprudential policies which play a key role to build a resilient financial sector that ultimately fosters sustainable and inclusive growth. Macroprudential policies are particularly important for CCA countries given their economic characteristics and macro-financial vulnerabilities reflected in low diversification, cyclicity, dependence on external factors. Tools that could help mitigate risks and build resilience include countercyclical capital buffers, capital conservation buffers; loan to value ratios, debt service-to-income ratios, and liquidity tools (liquidity coverage ratio, net stable funding ratio). The tools aim to moderate cycles, mitigate structural risks, and build buffers. The analysis suggests that significant progress is underway in strengthening macroprudential legal and institutional frameworks across the CCA region. Priority areas going forward should include (i) data collection for systemic risk monitoring, (ii) focus on key risk factors, (iii) inter-agency coordination, (iv) communication and accountability, and (v) enhanced use of time-varying tools to moderate credit cycles.

The country examples of Azerbaijan, Georgia, and Kazakhstan emphasized that countries in the region put in place during the pandemic a range of measures to support the financial sector and the economy, including temporary credit support measures (e.g., grace periods, interest rate subsidies); macroprudential measures (e.g., release of macroprudential buffers) and complementary monetary policy measures. Gradual withdrawal of these temporary measures has started. The subsequent discussion focused on possible implications of the war in Ukraine.

[Financial Systems of Caucasus, Central Asia Are Particularly Vulnerable to Shocks – IMF Blog](#) and papers mentioned therein.