Financial Systems and Foreign Exchange Transactions in Central Asia[1]

中央アジアにおける金融システムと為替取引

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1. Introduction

The international economy witnessed the so-called liquidity trap in the 1930s, which was essentially a deflationary process triggered by the collapse of the unprecedented economic boom in the USA followed by defunct financial policy. For the last several years, the US economy, which now appears to be getting back within the law of gravity, has enjoyed a soaring boom that has had benevolent effects on many countries. Meanwhile, the present international economy has witnessed a "restructuring trap" in East Asia, especially in Japan (debt trap, as we call it) , and a "transition trap" in Central Asia. As of yet, there has been no magic solution to either the restructuring trap or the transition trap.

The restructuring trap is an economic situation in which no sign of significant economic rebound has emerged despite both public money injection into the ailing financial sector (financial re-capitalization) and expansionary monetary and fiscal policies. The economic inertia, which has been crawling on the bottom line for years, appears to have arisen both from the "morning after (hangover)" effect of the rapid economic growth and from a series of structural setbacks such as excessive debt and investment.

The inertia has also been negatively affected by increasing employment uncertainty, combined with consumption weakness, and substantial deterioration of asset quality, accelerated by economic shrinkage accompanied by gloomy financial indicators. The inertia has been prolonged by ineffective response in the real sector under the pressure of industrial and corporate restructuring and technological innovations, resulting in economic inertia in many regions. It is becoming clearer that the traditional use of macro-economic policy to boost the economy simply may not work.

The transition trap is an economic situation in which institutional and policy reform in countries in transition to the market mechanism has not been fruitful, with many of them remaining below the 1990 level. This trap is attributable to many factors in each country but there seem to be some common threads lying underneath:

First, the impact of the collapse of the already existing economic network was more serious than what had been anticipated by international institutions and many reformers and economists.

Second, neither marketization nor privatization of the command (centrally planned) economy has been decisive enough; stopping government intervention is comparable to stopping smoking, that is, there is not much decisiveness and commitments are repeated. Or an alternative approach of "gradualism" has failed to present a clear picture of policy package or policy sequence. Many economies in transition remain somewhere between planned and market economies.

The third common thread is that state-owned enterprises have been only poorly privatized and have generally failed to activate their businesses, while the current economic environments are not good enough to pave the way from small business successes to bigger ones.

Fourth, advocate arguments and efforts for economic reform are often from outside rather than from inside the transitional economies and the prolonged economic disruption has made the informal economy unavoidably prevalent in many countries.

A fifth similarity is that foreign direct investment has been hampered by a variety of factors, other than in limited areas such as energy/mineral resources.

Sixth, financial dis-intermediation seems to have failed to smoothen economic and business friction. Closely related to this is the fact that these countries have failed to secure people's confidence in their national currencies.

And seventh, technological innovations centering on information and telecommunications during the 1990s have posed a digital divide to many economies in transition, especially in Central Asian and Caucasian countries.

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Focusing on the sixth topic, this paper is intended to (1) analyze the financial infrastructure of Central Asian countries, (2) assess the nature of financial information in these countries, and (3) discuss performance of various financial services.

2. Organizational Approach to Financial Systems

Three aspects form the basis for analyzing a financial system in one country (or economic zone):

1. Has the financial infrastructure been consolidated in terms of institutional framework, financial intermediation and payment system, and confidence in the national currency?
2. Has the financial information system been established in terms of economic indicators, supportive financial indicators, and latitude in monetary policies?
3. Has the viability of financial activities been secured in terms of financial business scope, cross-border transactions, and financial products and services and their innovation.

Naturally a good financial infrastructure is needed for a good financial information system, which, in turn, is needed for a good financial market where good-quality financial products and services are provided, renovated and promoted.

No major financial system has satisfied these requirements fully. Even when focusing only on major financial markets, we see that the New York and London financial markets have failed to continuously provide the most relevant economic information, resulting occasionally in irrational disruptions such as credit crunch and overshooting or even misconduct. Taken as a whole, however, these major markets have managed to compete and complement each other based on the market mechanism and substantial amounts of financial information.

Then, how can the financial system in the Central Asian region be assessed from the same viewpoint? It can be summarized as follows:

1. In many countries, the financial infrastructure is fragile. Although institutional framework was early arranged with the help of international organizations, and related financial laws have been enforced for years, confidence in bank deposit services has not been established yet and banks have not been well trained in loan-production, management and collection practice. Bank asset management tends to be made in the form of investing surplus funds in short-term government securities rather than making loans.

Thus, financial intermediation has not been established; rather, the term "financial dis-intermediation" represents the present situation. The payment system has been far from normal. Meanwhile, trust in the national currency has been so poor that hard currencies, in particular the dollar, have been hiding behind a variety of monetary functions, forming a situation of "composite currency" or "dual currency".

2. Information systems are incomplete and biased. In addition to having vast areas that are regulated, almost every country's informal economy has been so prevalent that financial indicators tend to distort relevant understanding of the whole economic picture. Further, barter trade and insufficient statistics always make it difficult to capture accurate changes in price level and to realize real costs in financial transactions. Quasi-fiscal operations also distort the real financial situation because use of the banking system often turns out to be a form of fiscal obligation in disguise.

Moreover, multiple exchange rates in some countries do not serve as financial indicators but as disturbers. The national currency is functioning as a means of payment only and is not being used as a means of savings; and the informal market exchange rates, sensitively reflecting the hidden demand/supply position of the hard currencies, are showing people's strong preference for hard currency. When an increase in money supply leads directly to a depreciation of the currency in these circumstances, there are many difficulties in using interest rates as indicators.

3. The financial sector has contributed only partially to the economic activities in general. This is represented by the small size of the coverage by the banking sector vis-à-vis the whole economy. In the meantime, although signs of various financial services like insurance, credit cards, leasing, etc., have emerged in many countries, they are basically rudimentary. Securities trading is partially active in government securities markets but is concentrated only in short-term purposes, and even though bourse houses have been established, they have had a limited role as secondary markets for stocks sold in connection with privatization of state-owned enterprises. And corporate bond issues have been rare.

On the whole, there seems to be limited prospect for sound development in these economies in view of the fact that the basic financial intermediation services remain confined. Most modern technological innovations in financial services have difficulties in finding their way into these under-developed financial markets. As for cross-border transactions, five Central Asian and Caucasian countries remain uncommitted to IMF Article Ⅷ status and a couple have kept multiple exchange rates.

3. Financial Infrastructure

3.1 Currency Changeover

The introduction of the "somni" in Tajikistan late last October momentarily reminded us of the bitter financial experiences in Central Asia in the earlier half of the 1990s. Tajikistan changed the denomination of its currency from Tajik roubles (2000 per US dollar) to somni (2 per US dollar) on October 26, 2000. The somni, however, devalued sharply due to the fact that the Tajik people rushed for US dollars and substitutable commodities. Fortunately, later the somni was reported to have recovered somewhat, from 2.7 to 2.3 somni per US dollar.

The changeover from one national currency to another tends to produce financial turbulence when the national currency has not acquired the public's confidence sufficiently. Many Central Asian countries' changeovers around 1993 from the Russian rouble to coupon currency and further to their own national currencies were accompanied by hyperinflation due to excessively redundant money supply and such financial disruptions as suspension of external payments and bank deposit blockage arising from fundamental procedural disorder. These developments further weakened the general public's confidence in their national currencies.

Poor confidence in national currencies, together with experiences of malfunction in the banking system, has irreparably discouraged bank deposits by individuals. This has obliged the banking sector to resort to central-bank or inter-bank borrowings and corporate savings forced under the existing non-cash transaction system that requires the corporate sector to use the banking system only.

Meanwhile, since the independence, Central Asian countries have implemented a series of financial reform steps, including legal arrangements for financial systems like the introduction of two-tier banking systems, bankruptcy laws, and securities markets. Prudential guidelines for banking business were adopted at an early stage, followed by bank loan restructuring and recapitalization into financial institutions. Now, even deposit insurance and rating services have been considered and partially initiated in a couple of countries.

However, banking skills in loan production for the corporate sector have been so scarcely cultivated that the financial channel has been severely restricted for industrial and commercial activities except for the so-called directed loans, which are often made under pressure from jurisdictional authorities. What is worse, the corporate sector itself has mostly failed to be viable in the present business conditions that require entrepreneurship, capacity for market research and financial understanding.

Thus, financial intermediation practically does not exist between the fund surplus and deficit units. Domestic savings have scarcely been mobilized for channels to productive purposes; most of them remain dormant. Meanwhile, the payment system has lacked a good network, with poor facilities for clearing purposes among financial institutions, resulting in poor settlement performance. Transfer or payment fees, in particular for external transactions, are unusually expensive. The situation of the payment system has been far from desirable by international standards.

3.2 National Currency and Composite Currency

The currency changeovers in Central Asia have also resulted in a freakish style of basic monetary functions. The role of standard of value has been latently replaced by the US dollar. In addition, the means of storing value has been overwhelmingly performed by dollar banki or banker savings (in-socks or mattress savings), while national currencies have receded virtually to the role of being the payment means for everyday life. Such distrust in the national currencies has been deeply rooted in many parts of Central Asia and perhaps in Caucasia. It should be noted that this monetary situation, that is, a "composite currency" or "dual currency" system, currently characterizes the financial infrastructure in these regions, whether the country in question is committed to free currency convertibility or not.

Of course, newly independent countries are apt to take pride in their currencies, viewing them as symbols of independence and sovereignty. Accordingly, the legal tender in Central Asia is in the form of national currency, which distinguishes these countries from dollarized or quasi-dollarized economies. Still, in practice, the legal tender system has been frustrated for years by hard currencies, in particular the US dollar.

The IMF's 2000 annual report shows that Russia and Kazakhstan pursue "independently floating policy", while Kyrgyzstan, Uzbekistan and Tajikistan pursue "managed floating policy" with no preannounced path for exchange rate. On the other hand, Turkmenistan pursues conventional fixed peg arrangements, while Azerbaijan pursues the exchange rate policy within crawling bands. Despite the difference in classification, the US dollar appears to be an anchor currency in most cases.

On a second glance, however, the real currency situation appears a little more delicate than has been anticipated. While the US dollar has been dominant in Central Asia for years, some analysts argue that the significance of the German mark, which is to be replaced by the euro, has not been negligible. The Russian rouble is also rumored to have assumed a partial monetary role in many parts of Central Asia. In Tajikistan the Russian rouble has functioned practically as quasi-legal tender, with the US dollar being used in big city areas and the Uzbek sum in local areas nearby the border.

The gap between the official stance that assumes the predominance of national currency and the real situation of composite currency remains wide. It is a major reason why the financial infrastructure has not been well consolidated. In order to remedy this situation and establish the general public's confidence in national currencies, a variety of measures have been tried.

In Kazakhstan the more than 50 percent devaluation of the tenge during 1999 was accompanied by a partial deposit conversion that guaranteed the value of deposits, calculated at before-devaluation exchange rates (essentially equivalent to dollar-denominated deposits), and by the introduction of deposit insurance. In Uzbekistan a relief step focusing on individual savings was introduced to reduce bank obligations for increased reserve deposits with the central bank and now the introduction of insurance deposit is being considered.

These measures are expected to enhance the attractiveness of national currencies and bolster confidence in the banking system. At the same time, however, it should be borne in mind that financial confidence is intrinsically fragile under composite currency situations in unstable economies and that an unstable economy with fragile financial confidence is most likely to entail a composite currency situation.

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4. Financial Information

4.1 Financial Indicators

It is true that, owing to the intensified efforts by international financial institutions like the IMF, more information has become available for economic and financial analysis of economies in transition. The voluntary release of Article Ⅳ staff reports has begun since April 1999 and efforts have focused on improving data dissemination like the Special Data Dissemination Standard (SDDS) and the General Data Dissemination System (GDDS). The EBRD, BIS and others also provide useful information for international comparison purposes. These efforts and improvements are sure to provide us with better economic data and information, and enhanced arguments about Central Asian countries should follow, provided that the real economic situation changes very slowly.

The nature of financial indicators, however, has to be carefully examined. For instance, interest rates in many economies in transition have a different nature from those of major advanced economies. Interest rates in transitional economies do not always represent the situation of financial intermediation between the fund surplus unit (household sector) and the fund deficit unit (corporate sector); rather, they reflect inter-bank transactions for government securities in the absence of appropriate financial intermediation by the banking sector. Outside the banking sector, each national currency circulates very quickly within its financial territory, performing its payment function only.

The informal, or shadow, economy that is so common and prevalent in member countries of the former Soviet Union, however, has discredited the quality of their data and information. Traditions of barter and the offsetting of debts among enterprises have exacerbated the situation. The size of the informal economy is often estimated to reach almost one-third of the whole economy. Some of the informal economy is most likely to be deeply involved in illegal transactions but the portion that comes from unmonetized transactions is probably not small.

Not all of the unofficial activity is avoidable, because strong regulations or supply shortages make it difficult to dispense with informal transactions. For instance, the rigorous application of an excessively appreciated exchange rate on the procurement of agricultural products near the national boundary easily invites unregistered export; the arrears of wages and payments inevitably necessitate barter trade/payment offsetting; and the shortage and ensuing rationing of foreign exchange inevitably fuels informal activities.

In the current circumstances, the monetized and recorded transactions do not represent the whole picture of the economy; some economists even argue that the monetized transactions have accounted for only 20-30 percent of the total corporate transactions in Russia in recent years. The situation in Central Asia may not be so far away from that in Russia.

The real financial situation is also distorted because the banking system has often been misused to disguise fiscal obligations (quasi-fiscal operations or monetization of fiscal deficits). In Kazakhstan prior to 1995, government debt-guarantees and bank loans were often used to clear public sector arrears, resulting in a disguised fiscal deficit; the Uzbek government in 1996 directed or authorized bank lending to finance cotton producers who suffered bad crops and their repayments have been repeatedly rescheduled; in Turkmenistan, interest-free directed credits are often extended to sectors designated as important and it is often reported that the recipients do not make full repayments.

Quasi-fiscal operations not only damage the quality of fiscal management by incurring the potential for fiscal deficits, but also distort the financial situation by creating moral hazards in both the creditors' and the debtors' minds and by abusing the seigniorage of the monetary authorities.

4.2 Multiple Exchange Rates

Multiple exchange rate practices were implemented with complex foreign exchange controls in Central Asian countries before 1995. Kyrgyzstan and Kazakhstan abandoned the practices and accepted Article Ⅷ status in the IMF in 1995 and 1996, respectively; Tajikistan and Turkmenistan also tried unified exchange rates in 1996 and 1998, respectively, but practically in vain. Uzbekistan continues to maintain multiple exchange rates but maintains that it is going to try to unify them in the near future. Each of the currencies in Central Asian countries depreciated sharply soon after the 1998 Russian financial crisis. In contrast, Caucasian countries appear to have been more successful in establishing single exchange rates and managing their exchange rate policies despite the 1998 Russian crisis.

Multiple exchange rates in Uzbekistan and Turkmenistan have given wrong signals by imposing an implicit export tax on exports, while subsidizing imports. This practice, together with the required surrender of foreign exchange, has encouraged the formation of unofficial channels of foreign exchange transactions because of the serious shortage of foreign exchange in the official market. These practices have also promoted administrative corruption and channeled various economic activities to the informal economy, adding to tax collection problems by pushing them entirely outside the tax base, distorting resource allocation, and thus obscuring the real economic landscape significantly.

From the viewpoint of financial information systems, exchange-rate-related data in these countries are not reliable as economic/financial indicators for market-oriented activities; they only cause confusion. As a result, national currencies, which circulate hastily as a means of payment but fail to serve as means of value storage, are losing even the role of value standard. In these circumstances, the effectiveness of monetary policy is considerably doubtful.

For instance, an increase in money supply leads directly to a depreciation of the currency in question without relevant influence on interest rates, which already, in practice, serve as indicators only inside the inter-bank community. As for prices, once the dollar-based value standard is deeply rooted among the public, domestic prices are determined automatically in line with the change in foreign exchange rates. Also, price controls on necessities tend to be exploited by residents in neighboring countries because they are priced lower than international prices by an appreciated exchange rate. Another example is that foreign financial resources are not effectively channeled to productive domestic activities, due to uncertainties about exchange rates.

5. Financial Information Scope of Financial Activities and Their Innovations

5.1 Bank Credit

The presence of the financial system is relatively small among CIS countries. Even so, banks have been in operation since before 1990 in some way or other, though different in style and practice from the market-oriented framework. As of present, regardless of questionable efficiency, depth and influence in the whole economy, the banking sector has been the dominant player in the role of financial institutions.

Nevertheless, in Part Ⅱ "Financial Sector in Transition" of the 1998 Transition Report, the EBRD pointed out a very shallow relationship between the real economy and the banking sector in transition economies. This is shown by a by far lower ratio of "bank credit to the private sector " to GNP per capita than in market-economy countries. This relationship could be represented more easily by the ratio of money supply (broad money) to GDP, which is regarded as a proxy of bank activity, which is related to financial services to the real economy.

Based on the 2000 Transition Report's financial data, the ratio of broad money to GDP in 1999 was around 15 percent in Central Asia, except for Tajikistan, which showed a very low figure of 7 percent. It was 7-13 percent in Caucasia, 14-17 percent in Russia, Belarus and Ukraine, and 43-46 percent in Poland and Hungary. An exception was the 75 percent in the Czech Republic, which was along the lines of the OECD member countries' average.

A number of factors are considered to have contributed to this tendency, including slow monetization, barter trade, circulation speed of money, the informal economy, the degree of financial intermediation, etc. A critical implication from this fact would, however, be that bank lending provides vital services that smooth, promote and enhance economic activities.

5.2 Capital Market and Non-bank Financial Services

The 1998 Transition Report also suggested that capital markets in transition economies were relatively small by international standards and that there existed virtually no corporate bond market. Even where any bond market existed, short-term bonds were highly predominant over long-term bonds. Securities trading is partially active in government securities markets but is concentrated only for short-term purposes; even though bourse houses have been established they have had a limited role as secondary markets for stocks sold in connection with privatization of state-owned enterprises. And corporate bond issues have been rare.

This might be a foregone conclusion, because in almost every economy, the banking system plays the major role in the early stages of economic development. Capital markets, which are late to develop, historically require sophisticated legal and institutional prerequisites and such supportive financial facilities as accounting, researcher and analyst services, financial network, etc. Retarded privatization of state-owned enterprises has also been responsible for the under-developed capital markets in the CIS member countries.

Non-bank financial services like insurance, credit cards, leasing, pensions and investment funds are generally rudimentary. Though discussed among experts, little progress has been made in the practical deployment of such modern facilities as ATM or electronic banking services. As will be discussed further, consolidating the financial system of banking- and securities-based intermediation is likely to expand the latitude for these auxiliary and peripheral financial activities. So far, the benefits from advanced financial technology remain obviously thin.

As discussed earlier, payment services remain backward: little information is available on costs and benefits of such banking services as fund transfers, credit transfers or direct debiting for individuals, bill/check exchange, clearing system or foreign exchange clearing for corporate clients. Slow services, even at the time of deposit withdrawal, are often cited. In these circumstances, it is difficult to say that timely reliable transfer and settlement services are well established. Unusually high fees are reported to be applicable for cross-border credit transfers, reflecting the difficulty in securing safe and timely transactions.

As for cross-border transactions, their performance has generally been poor, reflecting unattractive economic conditions, limited services in trade, and meandering foreign direct investment. Four countries in Central Asia and Caucasia remain uncommitted to IMF ArticleⅧ status (Uzbekistan, Turkmenistan, Tajikistan and Azerbaijan).

Whether the real economy can reap the benefits of its potential economic capacity depends largely on the availability of the above-mentioned diversified and elaborate financial services and facilities. Even the corporate sector has difficulties in obtaining the benefits of modern banking services, including financial products, network services and information services.

6. Conclusion

Under the centrally controlled regime, the financial sector was "little more than a bookkeeping mechanism for tabulating the authorities' decisions about the resources to be allocated to different enterprises and sectors. Securities markets were absent, since the authorities created no marketable financial instruments" (1998 Transition Report, Chap. 5). Because the mono-bank-based financial system had not anticipated financial intermediation, banks in command economies had developed little capacity to provide, manage and collect loans. No need had been emphasized for prudential regulation.

Macro-economic stability and predictability should be strengthened before or along with the consolidation of financial infrastructure. Of course, social infrastructure and moral discipline are deeply associated with this process. Unfortunately, however, some analysts have pointed out that, in some transition economies the state is “no longer capable of purposive autonomous action but prey instead to self-seeking private interests.” (Financial Times dated Oct. 11, 2000; Martin Wolf “Avoiding the trap of transition”)

As discussed, confidence in the financial system has not been well established in the formerly centrally controlled economies in Central Asia. Accordingly, financial intermediation is severely underdeveloped even in the banking sector, and capital markets for securities (stock and bond) issue and transactions are even more underdeveloped.

As the 1998 Transition Report suggested, however, intensified efforts to consolidate simultaneously both banking and securities activities into one financial system will be beneficial in view of the increased importance of the open market economy, corporate governance and diverse assessments of economic performance. Support in the form of modern information and communication technology is likely to overcome information and economic barriers that have characterized Central Asian economies for many years.

That Central Asia as a whole has been financially underdeveloped is very apparent, but definite differences among the five Central Asian countries are more difficult to perceive. Even so, Kazakhstan seems more prepared to go ahead in developing new financial policies to consolidate its financial system; for instance, banking restructuring and international bond and municipal or corporate bond issuance were first taken up by Kazakhstan.

Not a few economists are of the view that differences in transition path are becoming clearer with Kazakhstan and Kyrgyzstan moving faster toward a market-economy framework, Uzbekistan sustaining tight trade and exchange controls, and Turkmenistan and Tajikistan being surrounded with uncertainties.

Still, while Kyrgyzstan is heavily indebted externally, Kazakhstan is taking a zig-zag course, as is shown by the change in number of banks; Kazakhstan started with 72 banks in 1991, peaked at 204 in 1993, and followed with a sharp decline to 55 in 1999. Its bond issues attracted much attention in the international financial community, but there has also been much attention on the reliability of local municipal and corporate bond issues. The international community is increasingly cautious against default on bonds offered by some issuers of transitional economies, including China.

Ten years have passed since the financial situation in Central Asia changed completely around in 1990, and the financial sector there has been trying to cast off the old skin and outgrow the old rules and business practices toward internationally accepted models. But this will not be a one-change-fixes-all answer to these countries’ financial sector problems, because even in advanced countries the financial environment is changing rapidly with accelerated technological innovation centering on information and communication.

Appendix（Figures and Tables）

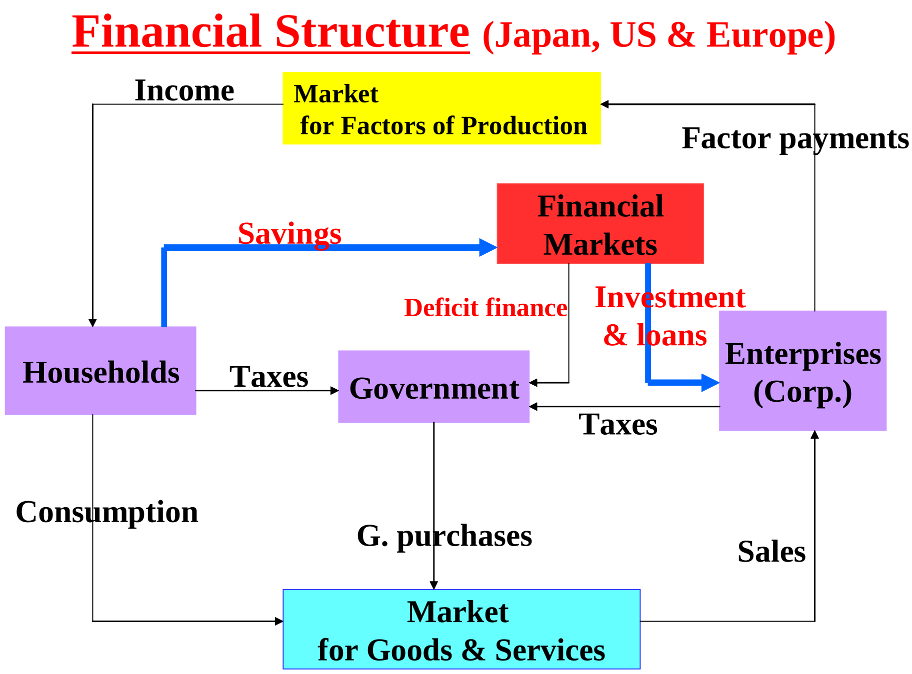

Fig. 1 Financial Structure (Japan, US & Europe)

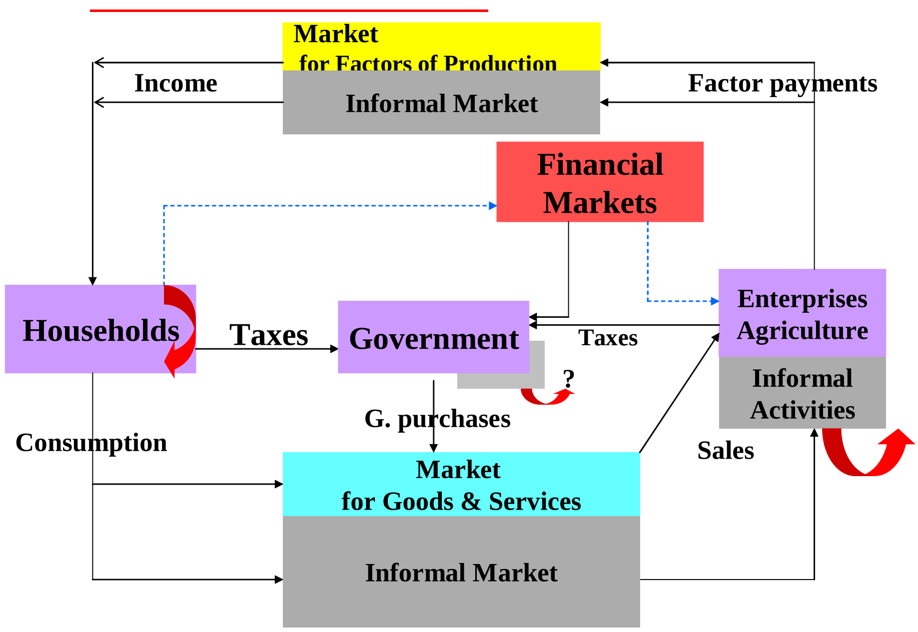

Fig. 2 Financial Structure (Transition Economies)

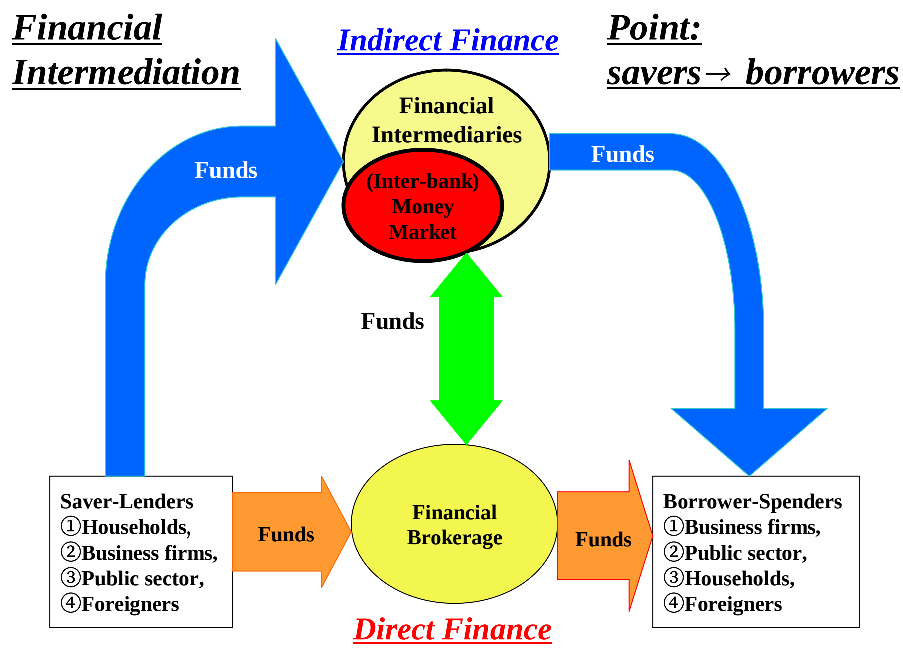

Fig. 3 Financial Intermediation (1)

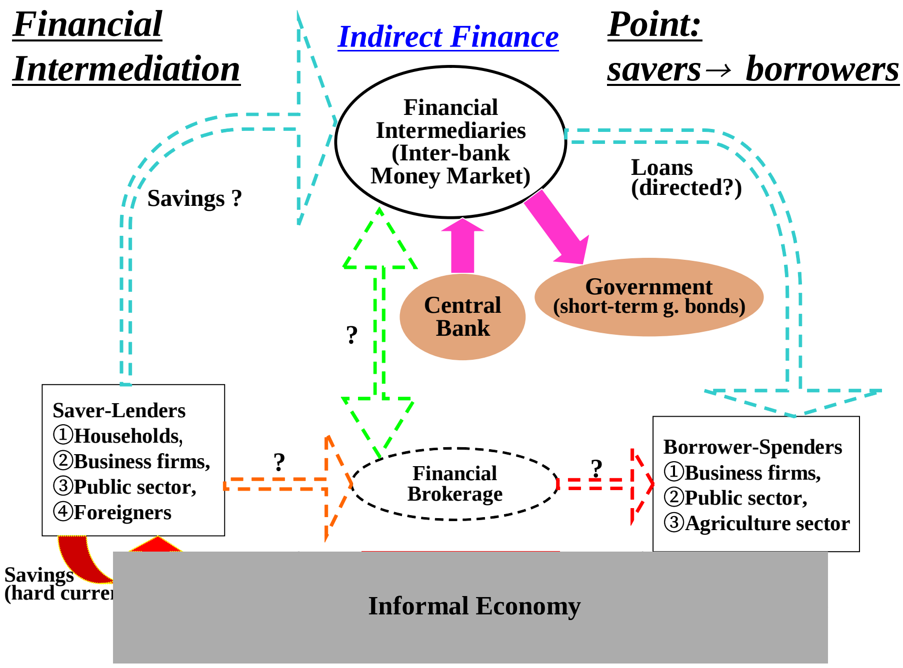

Fig. 4 Financial Intermediation (2)

Structure of the financial sector

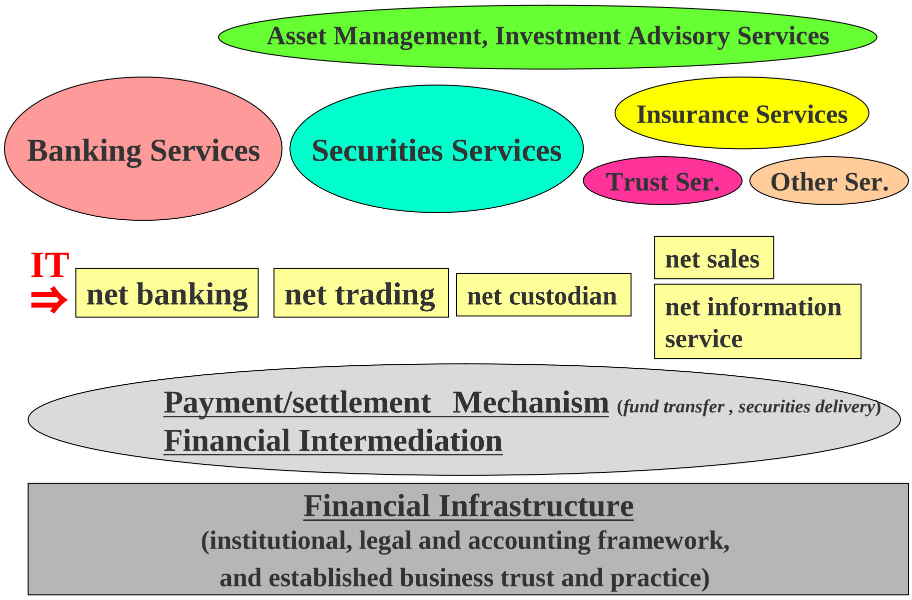

Fig. 5 Structure of Financial Sector

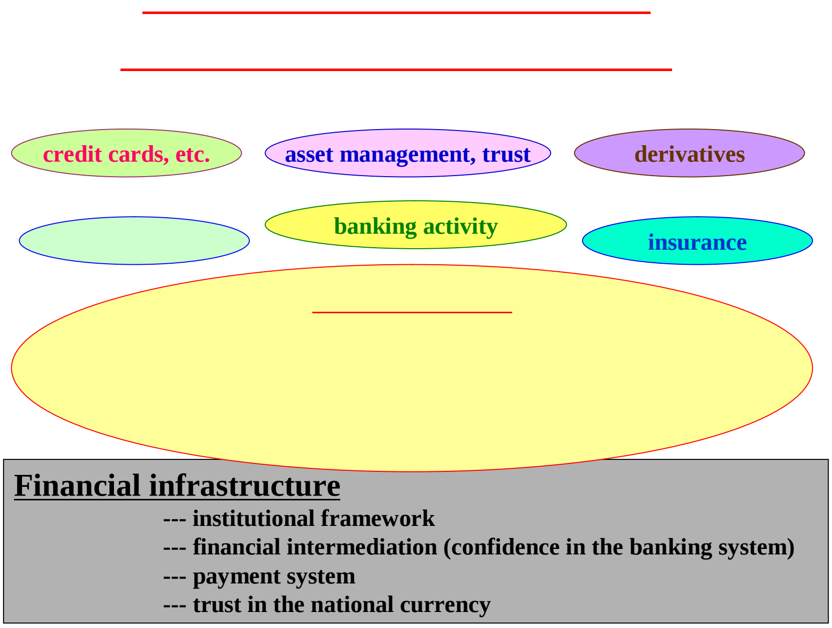

Fig. 6 Financial Infrastructure, Information, and Activities

Composite Currency Practices

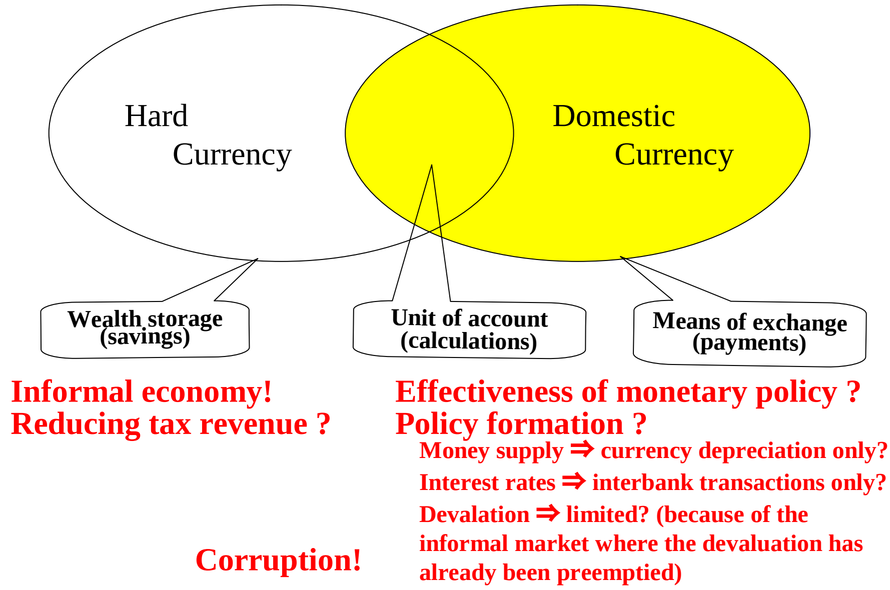

Fig. 7 Composite Currency Practice

Financial sector

	Kazakh-stan	Kyrgyz-stan	Tajiki-stan	Turkmeni-stan	Uzbeki-Stan	Azer-baijan	Russia
Number of banks (of which foreign wned)	55(18)	23(5)	20(3)	13(4)	35(5)	79(3)	2376(33)
Bad loans (in % of total loans)	5.8	6.4	15.8	0.5	0.1	19.6	13.1
Capital adequacy ratio	8%	12%	12%	10%	8%	8%	8%
Deposit insurance system	yes	no	no	no	no(yes)	no	no
Secured transaction law	yes	yes	yes	restricted	Yes	restricted	yes
Securities commission	yes	yes	yes	no	Yes	yes	yes

Table 1: Financial Sector

Exchange rate (per US dollar, end year)

	92	93	94	95	96	97	98	99	00
Kazakhstan(Tenge)	0.8	6.3	54.3	64.0	73.8	75.9	84.0	138.0	143.0
Kyrgyzstan(Soms)	511.0	8.0	10.7	11.2	16.7	17.4	29.4	45.5	48.0
Tajikistan(T. roubles)	5.1	12	36	285	328	748	977	1,436	2,000
Turkmenistan(Manats)	na	30	75	2,442	5,126	5,222	8,148	9,200	
Uzbekiatan(Sums)	415.0	1	28.0	39.3	67.2	108.5	176.8	347.0	
Azerbaijan(Manats)	45.0	256	4,330	4,440	4,098	3,888	3,890	4,378	
Russia(Roubles)	0.5	1.2	3.6	4.6	5.6	6.0	20.7	26.8	28.0

Tajikistan: until 1994, 100Russian roubles per US dollar, afterwards Tajikistan roubles.
Turkmenistan has had dual exchange rates for most months after the introduction of the manat in November 1993. The series refers to a weighted average between the official exchange rate (60% weight) and the commercial rate (40%), given as the buying rate offered at commercial banks until September 1998 and the black market rate thereafter.
Uzbekistan: roubles per US dollar until 1993. Since 1996, dual exchange rates have been in operation. Data show the weighted average of the official exchange rate (40%), the bank rate (30%) and the parallel market rate (30%). In 1999, the parallel market premium rose to 500% over the official rate by year-end.

Data:EBRD's Transition Report 2000

Table2: Exchange Rate