



Working paper of the NBKR

Communication Policy of the National Bank
of the Kyrgyz Republic
as the Monetary Policy Element

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Opinions and view points of the authors stated in this working paper may be different from ideas of the National Bank of the Kyrgyz Republic.

Resume

The given working paper represents the communication policy analysis of the National Bank of the Kyrgyz Republic with the recommendations on its improvement. The working paper includes theoretical survey by the given subject, analysis of the current practice of the National Bank of the Kyrgyz Republic and the communication policy's review of central banks of other countries.

Key words: Kyrgyz Republic, National Bank, Communication Policy, Monetary Policy, Public Awareness, Transparency.

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INTRODUCTION

Currently, besides traditional main production factors (land, labor, capital, entrepreneurial ability), the information is conceived as one of production factors. Not a single business process or a managerial decision taken by economic agents is done without this specific factor at the present time.

What does the information represent? There are many definitions of this term depending on the sphere of application. In our case for the economic system of relations the information will be considered something that:

- decreases ambiguity of the evolution of its condition through time;
- eliminates insufficient knowledge about objects and phenomena (it is identified with unawareness of a subject);
- decreases uncertainties due to information sharing.

The issue of timely and reliable information delivery becomes crucial with the development of the information economy. That is why the communication policy of central banks shall be considered as an integral component of the monetary policy being carried out (hereinafter referred to as MP), irrespective of whether it is a discretionary one or carried out by a certain rule. Information policy of a central bank can be an important element of MP that both sends signals to the market and creates foundations for trust building in the policy being carried out.

The growing number of literature and experience of leading central banks for the last decades have been proving the preference of a higher openness and transparency. In the meantime it is difficult to determine the optimal level of openness until now, as it is specific for each separate country and development level.

The information policy of the organization shall be just a policy; it shall not have a chaotic character. Elaboration and studying of information instruments, target audience, volume, quality and depth of the provided information are required for these purposes. Moreover, work performance on training of economic agents to adequate “acquirement” of the information is required.

A low level of financial skills and knowledge of economic agents is typical for the developing countries. In this connection the role of information policy of a country’s central bank increases and covers not only the issues of the policy and strategy of MP, but the aspects of social responsibility as well. The National Bank KR, taking over the main elements of leading central banks (such as independence, openness, accountability) formally possesses the main instruments of the communication policy. However, the given policy has a more formal

character that is the evaluation, to what extent the information provided for the market is valuable for it, is not carried out. All of this requires evaluation and a deep analysis.

The given work consists of three main chapters. The first chapter reveals theoretical reasons of the information policy necessity, shortly demonstrates advantages and disadvantages of each approach and experience of some countries by the given issue. The analysis of the communication policy available in the National Bank of the Kyrgyz Republic (hereinafter referred to as NBKR) is carried out in the second chapter of the work. The last chapter reflects conclusions and recommendations on communication policy improvement in NBKR.

THEORETICAL SURVEY

1.1. Why is the Communication Policy Important?

Inflation as a majority of macroeconomic indicators is endogenous parameter for the economy and is formed to a wide extent as a result of strategic and informational interaction of a central bank and a private sector⁶.

There are two quite different opinions for the communication policy of a central bank. The first one supposes the full openness and transparency of the information, the other one – its more restricted delivery. The question – which of these policies for one or another bank is more optimal – remains open. However, the choice of the approach depends often on the character of a carried out monetary policy.

The first approach supposes conducting of monetary policy by a central bank by predetermined rules (policy rule). In this case the operational instrument of MP depends on the influence, for example, of actual macroeconomic variables (inflation, employment, economic growth), their deviations from milestones that is reflected in the rules of Taylor or McCallum.

The similar regime of the monetary policy often supposes conducting of the communication policy in more open format as the economic agents in the course of time acquire knowledge in building their own evaluation of expected MP measures and, accordingly, it is not necessary to secure them on the part of a central bank.

The other strategy of the economic policy is so-called discretionary policy. The given approach is based on discretion of monetary authorities and the dynamics of policy instruments depends on their evaluation (including subjective one) of current and historically formed economic situation. The position of constructive ambiguity of a central bank (which has become outdated for the last time) was popular in this context.

During the first consideration it is obvious that macroeconomic variables are under the influence of subjective values and expectations of economic agents. A central bank (including with the help of communications) influencing them indirectly, can intensify influence of its policy on a large variety of macroeconomic variables. Thus, one pays even more attention to behavioral aspects and macroeconomic parameters, for example, inflation expectations of the agents in the theory of macroeconomics. So, M. Woodford shows in his research “Monetary Policy in the Information Economy” that taking into consideration the model of optimal

⁶ A. Cukierman “Central bank strategy, credibility and independence”, 1992

pricing of Calvo at the microlevel⁷, the model of aggregate demand can be presented in the form of:

$$\pi_t = k(y_t - y_t^n) + \beta E_t \pi_{t+1},$$

where π_t - level of prices at the current time, y_t - actual GDP, y_t^n - equilibrium GDP, $E_t \pi_{t+1}$ - expected inflation in the next moment of time, depending on the information in the moment of time available for the economic agents t , k - variable ($k > 0$), β - variable ($0 < \beta < 1$).

The other example is the theory about term structure of interest rates⁸, according to which the long-term interest rates in the economy depend on subjective expected values of short-term interest rates in future that is formally this theory can be provided by A. Blinder⁹:

$$R_t = \alpha_n + (1/n)(r_t + r_{t+1}^e + r_{t+2}^e + \dots + r_{t+n-1}^e) + \varepsilon_t,$$

where R_t - long-term interest rate in the moment of time t , r_t - current rate by short-term instruments, r_{t+n}^e - expectation of economic agents about interest rate in n-period by short-term instruments, α_n - premium.

Economic agents simultaneously with the change of the monetary policy (and very often preceding it) correct subjective expectations about forthcoming dynamics of interest rates, inflation and economy as a whole. The monetary policy carried out without taking into consideration the component of expectation is incomplete and cannot evaluate its results integrally. Thus, establishing of milestones, which the market will trust in, and correction of expectations of the subjects through statements of forecasts of the main economy parameters, are two main spaces that shall be filled with true information from a central bank. The bright example is the fact that during the crisis the central banks began to widely cover in the mass media measures taken by them and evaluations of situation development.

There are some spheres of transparency of a central bank activity. The given classification of transparency types was reflected in the research of P. Geraats¹⁰. Thus, in the concept of transparency there are the following aspects:

1. openness with regard to the purposes – political transparency;
2. openness with regard to the information about economic models, data, forecasts of a central bank – economic transparency;

⁷ M. Woodford “Monetary Policy in the Information Economy”, 2001.

⁸ For example is disclosed in the research of Russel (1992), FRS of St. Louis.

⁹ Blinder A., Ehrmann M., Fratzscher M., Haan J., Jansen D. “Central Bank Communication and Monetary Policy: A Survey of The Theory and Evidence”, 2008.

¹⁰ P. Geraats “Why Adopt Transparency? The Publication of Central Bank Forecasts”, 2001.

3. information about monetary strategy and internal discussions – procedure transparency;
4. informing concerning decisions about possible actions in the future, application of the instruments of MP – transparency of measures;
5. openness with regard to introduction of MP solutions, control of mistakes – operational transparency.

Political transparency supposes transparency of a central bank in setting the aim of the activity, its quantitative milestones. Thus, for example, the European Central Bank (ECB) officially states the medium-term target value of inflation in 3 percent that is remained unchanged. In the policy of NBKR the official statement of milestones is fully present, however, the given milestones as the practice shows can be changed during the year under changing of the economic situation. The similar approach can result in such a negative effect as time inconsistency of the policy and will lead to higher levels of inflation in a long-term period.

One should distinguish a goal of a central bank from its occasionally stated forecasted values. Forecasts can significantly deviate from the milestone. Public awareness about forecasted level both of a milestone and other parameters, model and approach to the development of these forecasts are the element of the economic transparency. The majority of central banks are to a high degree transparent in this context: thus, models, economic data and final forecasts are disclosed. For example, the Bank of Sweden - Riskbank recommends to remind that “a forecast is not an obligation” and it is conventional and depends on the influence of certain factors.

The procedure transparency supposes the open provision with the information about discussion process by the monetary authorities of the monetary strategy issues by the results of which, as a rule, a press-release with a detailed description of a taken decision, reasons for taking this or that decision, vote returns indicating the names of voters and other is issued as soon as practicable.

The next stage is already a part of transparency of carried out measures. In this case the openness is achieved through public awareness about expected measures and dynamics of any given instruments of MP, by way of, for example, official statements about goals for the next period or about measures of MP.

Operational transparency occurs indirectly in the process of conducting of the monetary operations.

However, it is necessary to note that the whole communication policy has a meaning provided only that the economic agents are able to adequately absorb the information. That is

the communication policy shall have a nature of not only statements but the effective communication with the economic agents, the public. Only provided that the information of a central bank is adequately adopted by the market, one can talk about the fact that the communications are the economic influence instrument and can influence the formation of population's expectations. In this case, more information may not be better.

1.2. Advantages and Disadvantages of Approaches

As it was mentioned above, the approaches to the communication policy can be divided into two types: the policy of more information disclosure and the policy of restricted information delivery.

The main argument to the advantage of the restricted information delivery is the idea that the policy of a central bank will be effective only if a bank can "surprise" the market by its solutions. The logic is that if the proposed measures of CB were not earlier expected by the market, it would be sufficient from CB to carry out interventions in smaller volume for achieving the required result than if CB would earlier declare about its entrance to the market. It means that the correction of expectations of the economic agents will not occur. The information about expected measures of MP can be used with the speculative purposes. The choice of the given strategy to a certain degree is convenient also for a central bank as well as there is a possibility to avoid responsibility when failing to achieve the goal. Everybody knows the formulation: "The central bank has carried out these measures based on the economic situation developing for that moment". Such approach erases a clear vision of medium-term goals to the advantage of short-term profit and, consequently, in the course of time sequence, succession and responsibility of the economic institutes, their chiefs can be leveled after taking these decisions in the public. This temporary non-conformity of taken decisions when carrying out the monetary policy leads to so-called effect of inflationary bias at which the inflation value is on an average higher than under carrying out of successive meaningful policy. Transparency increase stipulates to the decrease of inflationary bias.¹¹

The given approach was popular until recently, however, so far as expanding of the access to the information and deepening economic knowledge of the economic agents, the information about the measures of a central bank in any case becomes known to the market. In this connection, any given solution of a central bank will not be to the full surprise for the agents. Besides, it is disputable enough that the given factor is a determining one in the efficiency of the monetary policy. M. Woodford¹² conducts a detailed analysis by the given

¹¹ Blinder A., Ehrmann M., Fratzscher M., Haan J., Jansen D. "Central Bank Communication and Monetary Policy: A Survey of The Theory and Evidence", 2008.

¹² M. Woodford "Monetary Policy in the Information Economy", 2001.

issue the results of which confirm a great adequacy of the transparency policy in the information-open economy.

For the last decade even greater number of central banks has changed the policy to the side of more transparency that, to a certain degree, tells in favor of the given approach. The decisive factor in favor of the given choice served that this policy allows forming adequate expectations of the market and, consequently, increasing effectiveness of MP. Expectations of the subjects can naturally correct economic trends and possibly it will even not require taking any measures of MP in future. Moreover, in compliance with the term theory of interest rates, the monetary policy can directly influence only on short-term interest rates, whereas the influence is very weak or equal to zero on long-term ones. Though just the last one from the point of view of the economic theory determined solutions of firms and households about savings, investments and consumption. At the same time according to this theory the long-term interest rates are determined by short-term rates not by their actual values but by the expectations about future dynamics of short-term rates that, in its turn, is formed by a central bank. Namely the expectations of economic subjects about forthcoming economic situation determine their actual behavior.

Additional advantage in favor of more openness is also the fact that a transparent policy strengthens the responsibility of central banks to the public and stipulates the creation of good reputation of a central bank. A positive reputation is developed slowly and it makes it to be similar to the capital. As it is indicated in the research of A. Cukierman¹³, the more a central bank focuses on provision of prices' stability rather than on increasing employment, the reputation of a bank as a "strong" one is developed faster. In this context a central bank shall position itself as an institute actively fighting with the inflation. "Surprises" of a central bank lead to loss of credibility and deterioration of its reputation. Herewith, it is not sufficient to state only about purposes of a monetary regulator, the recognition and credibility of the public to central bank's possibilities are required.

In the above indicated research paper the target function of the monetary policy regulator can be introduced by the function:

$$v(\pi, \pi^e) = A(\pi - \pi^e) - \frac{\pi^2}{2}, \quad A > 0,$$

where π and π^e represent actual and expected inflation, accordingly. Instinctively, this function can be interpreted by the following way: upon availability in the economy of nominal stickiness during performance of the expansion policy it is easier for the regulator to achieve its aims, if the MP measures lead to a controlled but surprise inflation. The given

¹³ A. Cukierman "Central bank strategy, credibility and independence", 1992.

factor is expressed in the first summand of the function that is in case of deviation of expectations of economic agents from actual inflation values.

The monetary policy can be conducted in two conditions: in conditions of absolute access and information possession and information asymmetry that more corresponds to actual situation. A. Cukierman determines a regulator attached to the achievement of earlier set goals as a “strong” politician. If a politician sees that the achievement of aims is reasonable only in a certain case and his actions are not connected with the made statements then the similar regulator is determined as a “weak” one.

The model shows that for both types of regulators a more optimal strategy is an official statement of the target inflation rate. While for a “strong” type of a politician in the conditions of the absolute access to the information it is more profitable to state and achieve a zero inflation rate whereas in the conditions of information asymmetry the given type of a regulator sets the objective to achieve a positive value of inflation but lower than it was stated in case of carrying out the discretionary policy. Statement and achievement of stated objectives form agents’ perception of these regulators as “strong” ones, increase credibility to the system that allows leveling negative expectations of the economic subjects and inflationary bias in long-term period.

The milestones of the monetary policy are given yearly in the National Bank of the Kyrgyz Republic. It is difficult to confirm or argue the influence of the given statement on formation of expectations in the economy. In the meantime the given policy provides transparency of the institute’s activity and succession of the monetary policy. In countries carrying out inflationary targeting the statement of milestones, forecasts and evaluations is an integral component of the given regime. The similar policy supposes conducting of the proactive monetary policy that is a central bank leads the market rather than the reverse that impose more responsibility on the activity of a monetary regulator but increases a degree of control over a system.

Adherence to securing of operational milestones of MP and expected measures is typical for undeveloped systems. In similar economies the role of central banks in forming the expectations increases as the governmental institutes possessing exclusive right of access to a wide range of information can form more correct evaluations and forecasts. In the systems where information asymmetry is minimal the ability of economic agents to studying increases that is economic agents in the course of time independently form their own expectations. That is why the policy of the limited information delivery is gradually eliminating.

F. Kydland and E. Prescott proved that the efficiency of the monetary policy was much higher during conducting the policy in compliance with open economic models and not

discretionary policy and that short-term decisions/measures should not be always optimal in one particular moment of time¹⁴. At the same time all short-term decisions shall be a part of optimal long-term plan or program maximizing welfare of the public.

1.3. Experience of Other Central Banks

As it has been indicated above, central banks not always demonstrated that level of transparency we are observing now. However, even at the present moment a transparency of monetary regulators vary in different countries. Thus, the pioneers in this movement are central banks of New Zealand, Great Britain, Norway and Sweden. The European Central Bank from the moment of its creation in 1998 also demonstrates a high level of transparency.

For the US Federal Reserve System¹⁵ (FRS) a breaking point in the communication policy was February 1994, when the Committee on the operations in the open market began to announce decisions by the rate for federal funds. From January 1999 the FRS began to publish its evaluations of possible changes of the monetary policy eventually expanding the information format. Since 2002 immediately after the meeting the FRS began to make public nominally the voting of the Committee. From February 2005 the FRS significantly accelerated the publication of the course of the Committee session and beginning from November 2007 the FRS increased frequency and length of forecasting horizon.

Rather advanced communication policy is being realized by the Riskbank. Thus, the corresponding strategy is posted on the web-site of the bank. Various subdivisions are responsible for certain aspects of the communication policy. The strategy in general is determined by the direction of the bank, and the corresponding subdivision (Secretariat) are responsible for the tactical part of the information policy, for example, direct and inverse networking with the sources. Other structural subdivisions are responsible for the preparation of comprehensive part of the information within their functional obligations that are transferred then to the market in already determined format. The provided information for each type of receivers is given by the rules indicated in Table 1.

Table 1.

Information rules of the Riskbank

No. n/π	Rules
1.	Rules of information for custom recipients
2.	Rules of information for mass media
3.	Rules of information for internal users
4.	Rules of information for external site
5.	Critical information

¹⁴ Kydland F., Prescott E. "Rules Rather than Discretion: the Inconsistency of Optimal Plans", June 1977

¹⁵ A detailed analysis of the communication policy is conducted in the research of Blinder A., Ehrmann M., Fratzscher M., Haan J., Jansen D. "Central Bank Communication and Monetary Policy: A Survey of The Theory and Evidence", 2008

There is its own structure for each rule: aim, target group, levels of responsibility. By that the policy in general shall be built on for (1) the information was available and understandable to any party involved; and (2) every target group (the public, Parliament, financial markets, mass media, economic institutes) was important and worthy of respect and attention and required a certain approach.

In general, one can note that the number of central banks choosing more transparency increases. The understanding of a great role of public awareness during carrying out of the monetary policy expands. Publications, formal addresses remain the main channels of the information release to the market.

1.4. Publications of Central Banks

The central banks implement communication with the public through a wide range of information instruments: public speaking of the direction, press-releases, information delivery at the Internet page of the bank, in radio- and TV programs, periodicals, reports and articles. Each of these instruments is calculated first of all for a specific audience and for disclosing of a certain type of the information. As a consequence, different aspects of the monetary policy shall be covered at different levels with regard to the narrative style, detalization of the information, used informational instruments. The aggregate of informational instruments ideally shall cover the whole audience of the country: beginning from households and ending professional players at the financial markets.

The main publications disclosing the reasons of a particular decision of monetary authorities are “The Review of Inflation” or Report on the Monetary Policy. The main task of the given publications consists in explanation of the purposes, strategy of MP and taken decisions through provision of the corresponding information. A systematic approach in taking decisions is traced in these publications, analytical information and models (on the basis of which the forecast was made) is disclosed in details for the prepared specialist basing on this model and data could receive identical forecasts. In the research paper of A. Fracasso, H. Genberg, Ch. Wyplosz “How do Central banks write? An Evaluation of Inflation Targeting Central Banks” the analysis of publications “The Review of Inflation” in 19 countries (on the basis of which a conclusion was made that more qualitative and complete delivery of information in these publications stipulates to decrease of uncertainty¹⁰ at the market and increase credibility to the system) was conducted. Besides, a comparative analysis of publications of central banks by a large variety of both qualitative and quantitative parameters (structure and content-richness of publications, information value, etc.) is being conducted.

¹⁰ Andrea Fracasso, Hans Genberg, Charles Wyplosz, “How do Central banks write? An Evaluation of Inflation Targeting Central Banks”, International Center for Monetary and Banking Studies (ICMB) Norges Bank, 2003

The National Bank of KR, beginning from 2002 has been publishing the edition “The Review of Inflation in the Kyrgyz Republic”, the main objective of which is public awareness about the purposes and results of the monetary policy. One may note that the publication of NBKR corresponds with the analogues in other countries with regard to the content, information volume, periodicity, etc. However, by some parameters there is still a space for improvement – expansion of reflection of modeling results, horizons of forecasting and to focus more on the ex ante analysis.

INFORMATION POLICY IN NBKR

According to the Law of the Kyrgyz Republic “On the National Bank of the Kyrgyz Republic” the objective of the National Bank of the Kyrgyz Republic is “to achieve and maintain stability of prices by means of implementing the appropriate monetary policy”. As in other countries where the information policy is the element of the national policy including within implementing MP, NBKR also pays attention to the given issue. Public awareness by the measures carried out is an integral part of the implemented monetary policy.

Coming back to the classification of transparency of central banks let us note that a high political transparency demonstrated in open establishment of milestones is typical for the National Bank of the Kyrgyz Republic. Thus, at the end of each year the National Bank officially announces the milestones of the monetary policy in its statements. Apart from the Statements of NBKR about monetary policy for the coming year the National Bank develops the Main Trends of the Monetary Policy where perspectives of economy development for the coming three-year horizon, besides the milestones, are also reflected.

Publicly determining the objectives of its activity the National Bank still restricts the economic transparency. Thus, very often the information about specification of models, their quality and prognosis evaluations remains closed. However, the given fact does not hinder building of alternative models and forecasts by other institutes or researchers. Free access to data bases published by the National Statistic Committee allows producing and publishing such calculations independently.

The procedure transparency is present in the communication policy of the National Bank, however, it is introduced not so widely as in practice of other central banks. The information about nature of forthcoming monetary policy is published in the corresponding press-releases of NBKR. Nevertheless when comparing the content of press-releases of NBKR with the analogues of other developed countries one may note that in NBKR this information more concentrates on the evaluation of the current situation than on the covering of scenarios and forecasts of the development.

Also one of the methods to move closer to the target audience is publication of minutes of meeting of the Board of NBKR. Disclosure of minutes of meeting will show a wide public including financial and bank one, firstly, that the decisions are taken by the professionals based on external and internal market realities and, secondly, symmetry or asymmetry to the actions of market agents.

Transparency in relation to measures as operational transparency is not so clearly presented in the policy of the National Bank. Thus, only some planned strategic and tactical decisions in the sphere of monetary policy are provided to the public. For example, commercial banks have an access only to aggregate planned volumes of NBKR notes' emission, but banks may not receive the more detailed information by other indicators of the MP instruments.

In general, the information policy implemented by the National Bank of the Kyrgyz Republic serves for creation of a wide range of views, opinions, knowledge and evaluations that will form expectations of the market participants and influence on their decisions and behavior, satisfy interest of different social groups and institutes by reproduced and spread information. For example, statements of the Administration, publications, the research of "Community liaison office" and structural subdivision of NBKR responsible for the communication with the public, External and Public Relations Division of NBKR (hereinafter referred to as EPRD) partially satisfy these requirements. However, it is worth noting that the information policy is rather an element of MP than one of the indirect instruments that takes place in more developed economies.

The whole aggregate of information flows in NBKR is intended for several main groups:

- the public;
- President, Parliament, Government;
- financial market;
- mass media.

Realization of the information policy of NBKR is conducted through a wide range of information instruments: official publications of NBKR, web-site of the bank and other sources where the information of NBKR contains. In addition, during briefings and public speaking of the Administration of NBKR, TV airs ("The National Bank informs") and radio ("Uluttuk Bank bildiret") the journalists, concerned parties as well as the public are told about bank's activity at the given stage, clarifications are made by the matters arising, etc.

The communication policy development as a format of indirect instrument of the monetary policy supposes the creation of such system of information preparation that would

include such categories as instruments, field, subjects and targeted objects. At first sight each of the indicated elements is present in the information policy of NBKR, however, it is still earlier to speak about new indirect instrument of MP. The reaction of economic subjects to the information has a key meaning in this process, that supposes availability of the appropriate knowledge and skills of interpretation of economic information, corresponding correction of agents' expectations. Actual practice of NBKR consists in wide delivery of the information to the public. At the given stage one can mark only passive influence methods used by NBKR. Availability of various influence methods on the targeted audience in the Riskbank and NBKR is visually demonstrated in the given table (Table 2). At the same time actual reaction of the market to the provided information both from the qualitative and quantitative sides remains uncertain. The given data, to our mind, are critical for carrying out adequate monetary policy. One can study the problem of the inverse relationship of the system "bank - targeted group – bank" only indirectly as the systematic approach to this issue was not developed and quantitative indicators characterizing this relation have not been worked out. Thus, studying the statements, opinions, actions of persons of each target group, for example, with regard to a goal of MP, regulation of the banking sector, etc. is possible.

Table 2.

Modality of a targeted audience

No.	Measures of information policy (IP)	Bank	
		NBKR*	Riskbank**
1.	Availability of reasonable IP	Partially	Available
2.	Objective of IP	Not known	Available
3.	Targeted group of IP	Available	Available
4.	Channels of IP	Available	Available
5.	Instruments of IP	Available	Available
6.	Dependence of targeted audience on spread information	Low	Available
7.	Dependence of non-residents on spread information	Low	Sufficient

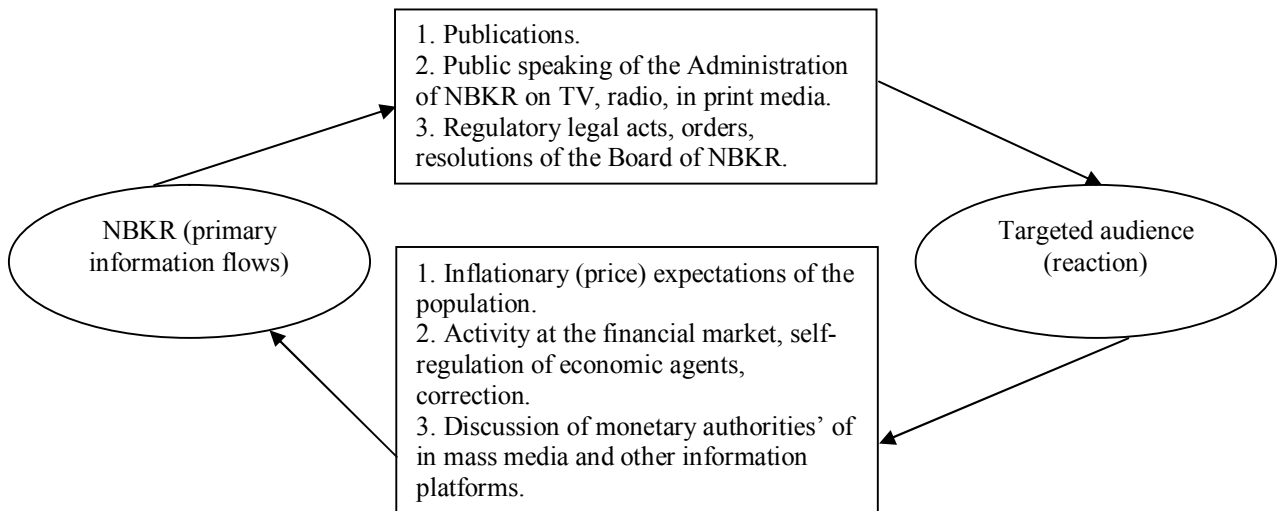
* According to evaluations of RG ED

** The Riksbank's rules for communication, May 7 2008

There is no an instrument or quantitative indicator that would expressly indicate to the dependence between the actions conducted by the bank and the reaction of the market and also serve the methodology of actions' evaluation by a targeted group. Nevertheless, to talk that a feedback is completely missing is wrong. We suggest the following kind of information movement in the system "bank-target group-bank".

Figure 1.

The scheme of the supposed information movement “bank-target group-bank”

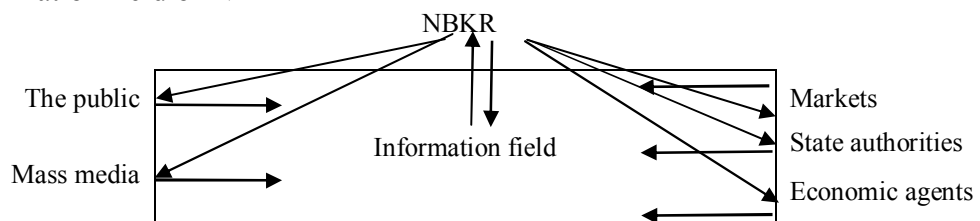


One can evaluate the effectiveness of the communication within the given system by means of direct questioning of target groups with the help of built quantitative system of evaluations for each target group: frequency of using the information, degree of availability of the information and depth of its penetration.

The objective of informing is not only exchange of reaction but creation of informational field, influencing on the systems of knowledge and expectations of the public and economic agents by the communication policy. The frequency of the transmitted information also plays a great role. Expectation of news, events by the agents creates lesser uncertainty and more predictability of the market. Thus, to our opinion, there is a sense to make a kind of “advertisement” of the meetings of the NBKR Board where actual issues will be solved for the market could study correcting its expectations.

Figure 2.

Information field of NBKR



The information field created by a bank attracts not only a targeted audience but information brokers as well (Figure 2). Such broker, for example, can be a news agency “Akipress”, acting as an active electronic news source, covering the actions of the bank, reflecting a point of view of specialists and experts by the policy conducted by NBKR. It is proved by a conducted survey of direct references of NBKR in the Internet (Table 3).

Table 3.

A number of direct references of NBKR in news in the Google search network *

No.	Resource	Number of references
1.	IA Akipress	8
2.	IA Kabar	3
3.	Newspaper Obshchestvenny reiting (Public Rating)	2
4.	IA 24.kg	2
5.	Union of Banks, BNC, IPP, Zpress, Parus.kg	1

**browsing of the first 15 pages of search as of a research date*

News, articles, notes, where NBKR acted as a direct character were taken for consideration when reviewing the search results. In the majority of cases the content of news looks as a survey of a current situation and actions and bears a character of articles and notes. Analytical interpretation of NBKR actions in the majority of cases is not present. Lack of qualitative analytical and forecast information is explained partly by restricted presenting of the information of the original source and lack of the required skills of journalists writing on the economic themes.

The Press-release of NBKR, containing the following data, was also considered as a source of the information:

- news about the activity of NBKR, financial institutions;
- statements of the Administration about MP, money turnover, about current situation in the sphere of macroeconomic and currency processes;
- projects of NPA;
- information about interbank payments volume and indicators of the Elcart system.

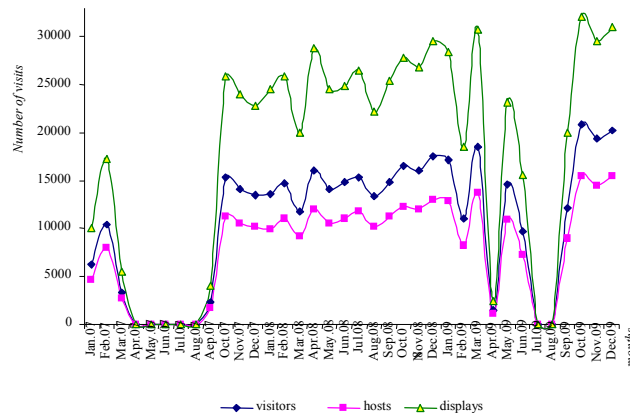
In addition, reporting about meetings with the head of IMF missions, central banks and other information are reflected. From the point of view of the content a press-release, to our mind, fulfills awareness-raising function. The content of press-releases of NBKR is similar to press-releases of the National Bank of Tajikistan and the Central Bank of Russia. Press-releases of the National Bank of the Republic of Kazakhstan are fuller and reflect the information (in some cases forecasts) by the main actions of NBKR in the sphere of MP and financial sector.

The other instrument and information transmission channel is the site of the National Bank (www.nbkr.kg). The analysis of NBKR website traffic from January 2007 to December 2009 was carried out in order to identify the interest of a target group in the published information. Summary site traffic for 2009 (145,198 visitors) decreased by 18.8 percent compared to 2008 (178,860 visitors). 12,100 people visited the site on average for a month in

2009, and 14,905 people in 2008. Data per month is characterized by large drops of visits that is connected with the lack of accounting statistics (Figure 3)¹¹.

Figure 3.

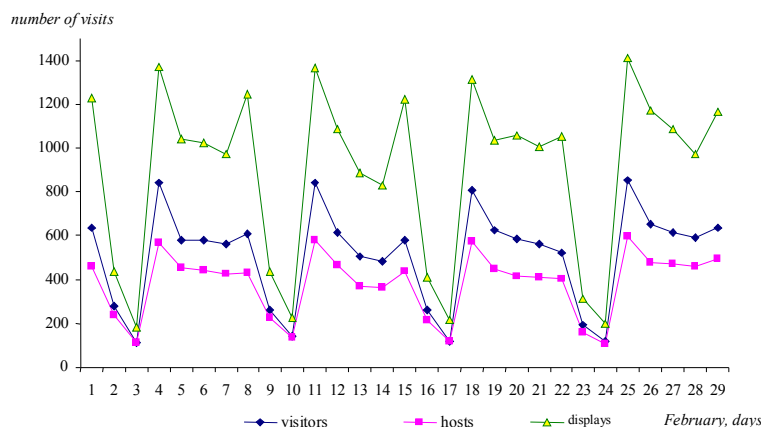
Dynamics of website traffic of NBKR for January 2007-December 2009



Sampling frame for 2008 characterizing relatively stable dynamics of website traffic was used for correct reflection of data and analysis. The analysis of site statistics showed that minimal website traffic is in week-ends by which on Monday there is a peak of traffic (the first working day). The following peak during a week is on Friday connected with updating of the information of exchange rates in NBKR website. The dynamics of website traffic is characterized by periodicity in week period during the whole year. As an example one can take any month of a year, for instance, dynamics of a website traffic for February 2008 (Figure 4).

Figure 4.

Dynamics of NBKR website traffic for February 2008



¹¹ Unique web visitor is a browser belonged to a web user, established on a certain computer and recognized by statistics system.

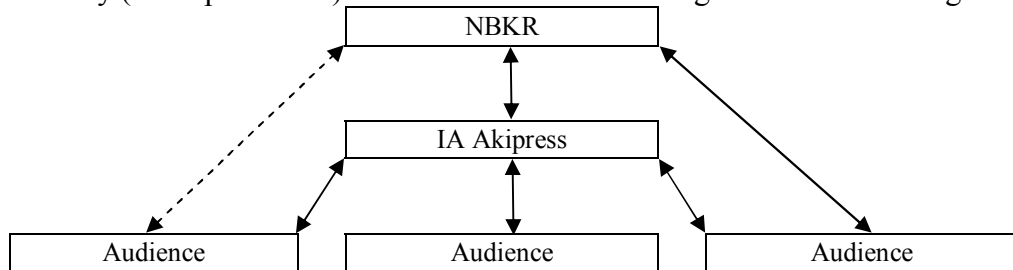
Host is a unique IP-address of a web visitor. One web visitor can have several IP-addresses, in case when he connects Internet through Dial-Up-connection (modem) with a provider, and otherwise – there are many web visitors on one host (IP-address) – one office is connected through leased line, but all his colleagues connects Internet through a proxy server.

Review is any page impression for a web user, including Refresh (Reload) of a page.

During studying of news, articles, notes from the Internet-sources it was found that in many cases the original source of the information is IA Akipress or other information recourses make references to this agency. Thus, a system of access to the information of the following kind occurs (Figure 5).

Figure 5.

Availability (monopolization) of the information for a targeted audience using Internet



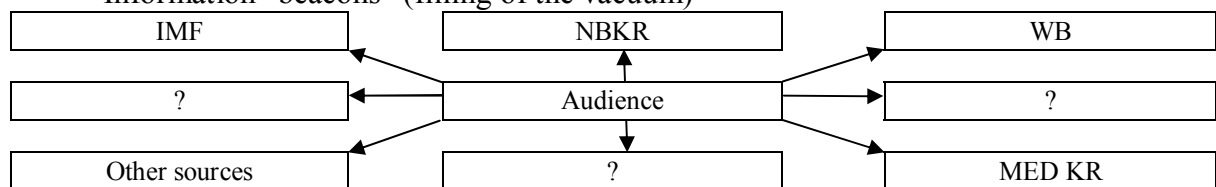
In addition in the information space belonged to NBKR one can observe “competitors” (Ministries and representations of international financial institutions, etc.) announcing of one or another macroeconomic parameters. Thus, information vacuum formed due to lack of the information flow of the original source is filled.

In spite of the availability of the main information instruments in NBKR, their content-richness requires further elaboration. Thus, it is necessary to determine what kind of information is required for economic agents at the initial stage. And in this case the National Bank, as an original source of this information, shall maximally fill the available information space that is by any given events occurred at the market, the targeted audience shall, first of all, get into the information flow created by a bank (beacons). The second information flow shall include the information created by other creators of the information.

The “beacons” indicated above are the first circle of the information that is it will be easy to find it. The second circle will include “beacons” created by other creators of the information. However, at the present time there a vacuum in the system of “targeted audience – information” is observed, and the picture is as follows (Figure 6):

Figure 6.

Information “beacons” (filling of the vacuum)



Availability degree of spread information characterizes to a greater degree the last figure, access to which for a targeted audience is restricted. For example, using one from the Russian techniques of calculation¹², applied for identification of an average number of readers

¹² Calculations of RG ED are made on the basis of web-site data <http://www.marketing.spb.ru/>

of printed products, one can calculate that under the circulation of 380 copies in three languages the potential reading audience of a quarterly issue “Review of Inflation in the Kyrgyz Republic” is about 7,600 people. The question raises to what degree under the given calculations the objective of public awareness is achieved. However, in order to answer this question one requires to make field and network researches drawing up questionnaires for targeted participants with the purpose to find out the reaction of agents for the information and actions of the bank. It will allow increasing the role of information policy as an element of MP.

Table 4.

Index of development of information and communication technologies in the countries throughout the world in the period from 2002 to 2007

No.	Country	Rating	Index	Rating	Index
		2007	2007	2002	2002
1	Russia	50	3,83	52	2,71
2	Ukraine	51	3,8	59	2,5
3	Moldova	68	3,31	74	2,13
4	Kazakhstan	69	3,25	68	2,18
5	Armenia	72	3,12	81	2,03
6	Georgia	80	2,91	75	2,13
7	Azerbaijan	86	2,71	100	1,71
8	Kyrgyzstan	93	2,61	86	1,97
9	Turkmenistan	104	2,23	89	1,96
10	Tajikistan	106	2,14	96	1,76

Using the index of the development of information and communication technologies (ICT)¹³, in accordance with which Kyrgyzstan is on the 93rd place by rating, one can evaluate the degree of achievement of the targeted audience of the information made public through electronic sources (Internet) by the National Bank (Table 4). The given index reflects the access level to ICT, their usage, as well as practical knowledge of these technologies, in particular, a number of stationary and mobile phones for 100 inhabitants of the country, a number of households having a computer, a number of Internet users, literacy rate, etc. In this relation the question raises to what degree NBKR should rely on more technological information sources if the aim of awareness expansion of the public (that does not commonly possesses the access to these sources) is pursued.

As the research conducted by the Institute of Economic Policy (Kyrgyzstan) shows daily more than 50 percent of a higher management of large companies of the country spends from 10 to 30 minutes for reading news. Herewith, 67 percent of top-managers choose news

¹³ International Telecommunication Union, ITU – a specialized subdivision of the UN establishing standards in the sphere of information and communication technologies made a research of ICT development in 154 countries throughout the world during the period from 2002 to 2007.

sites of the information agents. Thus, NBKR can concentrate its information flow on the Internet-audience when carrying out the directed information policy.

Carrying out of the independent communication policy as a component of monetary actions influencing the activity of market agents is possible only if the independence of a central bank is available. Thus, the authors of the research paper “Analysis of the independence of central banks RF, CIS countries and Eastern Europe”¹⁴ give the evaluation of independence degree of central banks of a range of countries by such criteria as:

- relations between the Government and a central bank when organizing monetary policy;
- procedures of appointment of the Bank’s Board members;
- formal objectives of the bank’s activity in relation to the monetary policy.

Using the information about laws on central banks, the authors calculated the independence of CB of the countries of interest (Appendix 1). A range of central banks of the countries of the Eastern Europe and Baltic States became the most independent ones. The least independence is typical for central banks of Belorussia, Ukraine and Uzbekistan. In the meantime the authors doubt the given results “.... one can suppose that the received results reflect only formal independence of CB. In particular, if a high level of independence of CB of the Baltic State does not raise great doubts, than a comparable level of independence of CB Kyrgyzstan and Tajikistan looks not so convincing”¹⁶.

The legislation of the studied countries gives the right to speak about considerable degree of independence of their central banks. But NBKR is characterized by a high level of independence among the considered countries. By the index of total independence NBKR leaves behind all CIS countries having passed only four countries from the Eastern Europe and the Baltic States. Only availability of the mark “zero” for the responsibility over the banking supervision does not allow NBKR being formally absolutely independent.

As it was said earlier, the indices demonstrate only formal independence of CB and the fact that NBKR possesses almost complete independence even from the formal point of view, to our mind, it can be considered as quite positive signal about the level of its actual independence. This, in its case, inclines to more independence when carrying out monetary policy. It is required to carry out independent research of NBKR, to our mind, in order to confirm or deny the results received by IEPP.

¹⁴ Trunin Pavel Vyacheslavovich. Analysis of the independence of central banks RF, CIS countries and Eastern Europe / Trunin P.V., Knyazev D.A., Satdarov A.M.. - M.: IEPP, 2010. - 76 p.: il. - (Research works / Institute of the Economics of Transition; No. 133P). - ISBN 978-5-93255-284-1., pages 55-59.

¹⁶ Trunin Pavel Vyacheslavovich. Analysis of the independence of central banks RF, CIS countries and Eastern Europe / Trunin P.V., Knyazev D.A., Satdarov A.M.. - M.: IEPP, 2010. - 76 p.: il. - (Research works / Institute of the Economics of Transition; No. 133P). - ISBN 978-5-93255-284-1., page 59.

CONCLUSION

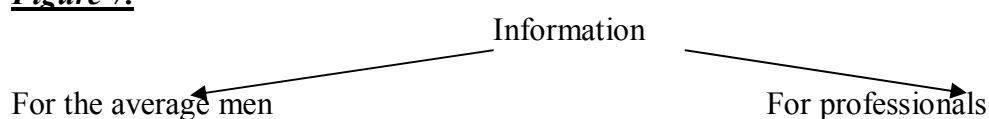
The information economy will identify trends to more transparency of all government institutions. These changes are observed almost in all countries of the world. At the same time the process of openness of economic policy shall be controlled. The bulk of information does not mean a high transparency as it can be multidirectional and more likely misinform. The latter may be the result of a lack of a systematic approach to the information policy.

The development of a strategy or other internal document of NBKR, regulating the information policy will allow increasing signals. It is necessary to elaborate the information policy and strategy of its realization in NBKR. One can take as an example the information policy in the Riskbank (Sveden). The majority of enterprises of the acting information policy does not have a system basis and bears occasional nature. Besides, we think that it is necessary to determine in NBKR a department responsible for the information policy. The Department of External and Public Relation is more suitable, to our mind, by the objectives, tasks and functions. All information for the public, statements and announcements shall go through this department. Concentration of information flow in one department will not allow passing the contradictory information from the one source. This organization department within its power could include elaboration and conducting of the information policy of NBKR.

However, this work shall be carried out simultaneously with the training of the public to basic skills of economics. It is not sufficient to only “throw” the information to the market, it is necessary to ensure that the economic agents absorb and interpret it correctly. At the beginning stage it may be required to clarify in more details the information and teach the market how to interpret and react to the signals of NBKR. This research paper, in particular, can be carried out also within a newly created project on strengthening the financial infrastructure in Central Asia and Azerbaijan of the International Financial Corporation (IFC) in cooperation with the Swiss Government.

In the part of carrying out the efficient policy the NBKR shall inform about its activity a wide range of the public including the concerned parties (target group). Therefore, it is desirable for NBKR to have information channels or affiliated mass media that would spread the official point of view of the bank. We see the following scheme (Figure 7):

Figure 7.



The information would be spread for two groups: the audience and professionals. In the first case it will be a kind of a campaign against illiteracy for the people to understand the taken measures; in the second case – the work with the professional agents.

We consider that a bank shall act not only as an advisor of the President and the Government but of the business entities and the population as well in order to increase their economic and financial skills, for example, for them to avoid carrying out risk operations and to motivate their implementation of bank deposits.

Besides, the formation of an image of the National Bank and financial system, in particular, for the specialists is laid at the stage of formation of views about the system itself. Base notations about the system an individual receives from the books during studying. Consequently, on the level of a higher school (probably from a secondary school as well) the future specialists shall be provided with the adapted educational materials on financial and credit system of the country. It is possible that the given vacuum shall be filled with the preparation of training publication developed by the NBKR together with the scientists, professors and other specialists.

With the purpose of defining effectiveness of NBKR activity (detached view from outside) it is required to interrogate economic agents (financial institutes, specialists, rating agencies) for a wide range of questions, including the policy of NBKR, inflation expectations of the subjects, etc. Among other things, to our mind, it is necessary to study in details the inflation expectations of the economic agents in the Republic, sources of formation and others. The results of this research will allow influencing more purposefully on the expectations of the market and inflation as a whole.

Besides, in order to receive a feedback by the issues interesting for NBKR the format of forum is suitable. With this purpose one can make a reference to the forum in the site or to organize an affiliated site together with the economic block of the Government that could serve as a general platform for discussion of all economic issues. Format of blogs is becoming more popular recently, for example, in Russia, where officials are published, where they answer the questions, give clarifications, etc.

Improvement of NBKR's publications for a subject of content-richness of the information is required. To our mind it is preferably to increase the quality and quantity of the analytical information in the publications of NBKR simultaneously accelerating their issue concentrating more on forecasting material. The focus shall also be made on the reflection of the same information that would be taken into consideration when taking decisions of MP. Moreover, frequently the information about decisions taken by NBKR in relation to MP and macroeconomic forecasts shown in the Report about MP and Review of Inflation is varied,

though the both publications pursue the same objective. The information shown in the Review of Inflation shall come along with the decision taken in the field of MP that is disclosed in details in the Report with identical forecasting data on inflation and other macroeconomic parameters.

In conclusion it is necessary to note once again that the information policy of the institute, carrying out the policy on a scale of the economy shall be a systematic one and meet the realia as it touches the interests of every economic agent. The usage of traditional approaches recurrent from year to year both during crisis and stability period, to our mind, is not effective. Moreover, the detailed analysis of feedback and reaction of the public to it is required besides “throwing” the information to the market. Otherwise the given work will have only a formal character.

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Let us also make an example on a selective basis (some countries of former Soviet Union and Eastern Europe) of a degree of independence by 13 central banks in Tables 5 and 6 with the description of each criteria included in the calculation of index¹⁵.

Table 5.GMT-index of political independence¹⁶

No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Amount
1 Kyrgyzstan	1	1	1	1	1	1	1	1	8
2 Georgia	0	1	1	1	1	1	1	1	7
3 Czech Republic	1	1	1	1	0	1	1	1	7
4 Poland	1	1	1	1	0	1	1	1	7
5 Armenia	1	1	1	0	1	0	1	1	6
6 Latvia	1	1	1	1	0	0	1	1	6
7 Tajikistan	1	0	1	0	1	1	1	1	6
8 Russia	1	0	1	0	1	0	1	1	5
9 Ukraine	1	0	1	0	0	1	1	1	5
10 Uzbekistan	1	0	1	0	0	1	1	1	5
11 Serbia	1	0	1	0	0	1	1	1	5
12 Belorussia	1	0	1	0	0	0	1	1	4
13 Kazakhstan	1	1	0	1	0	0	1	0	4

Table 6.GMT-index of economic independence¹⁷

No.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	Total
1 Latvia	1	1	1	1	1	1	2	8
2 Kazakhstan	1	1	1	1	0	1	2	7
3 Czech Republic	1	1	1	1	1	1	1	7
4 Poland	1	1	1	1	1	1	1	7
5 Russia	1	1	1	1	1	1	0	6
6 Tajikistan	1	1	1	1	1	1	0	6

¹⁵ GMT-index includes two sub-indices showing political and economic independence of a central bank. They are binary, that is they can take only two meanings: “truth” (one) and “false” (zero).

¹⁶ The evaluation of political independence within GMT-index is based on the following criteria:

- (1) head of CB is appointed without Government’s interference;
- (2) head of CB is appointed for a period of more than 5 years;
- (3) Board of Directors of CB is appointed without participation of the Government;
- (4) Board of Directors of CB manages the bank for more than 5 years;
- (5) obligatory presence of the representatives of the Government in the Bank Board of Directors is not required;
- (6) absence of necessity in approval of decisions in the sphere of monetary policy by the Government;
- (7) a central bank is obliged by the Law to strive for price stability as one of priority objectives;
- (8) there are legislative regulations strengthening positions of a central bank in case of conflict with the Government.

¹⁷ Economic independence of CB within GMT-index is based on the following criteria:

- (1) there is no an automatic procedure of allowance of credit to the Government;
- (2) if there is a possibility of allowance of credit to the Government, then the Government can receive it only by a market rate;
- (3) credits are given to the Government for a fixed term;
- (4) credits given to the Government have a limited size;
- (5) a central bank is not a participant of the primary market of a state debt;
- (6) CB independently establishes its own interest rates (without coordination with the Government);
- (7) a central bank is not responsible for the supervision over the banking sector (in this case CB awards 2 points within the calculation of GMT-index) or this responsibility is shared with other public authority (1 point is awarded).

7 Kyrgyzstan	1	1	1	1	1	1	0	6
8 Georgia	1	1	1	1	0	1	0	5
9 Serbia	1	0	1	1	1	1	0	5
10 Armenia	0	1	1	1	0	1	0	4
11 Uzbekistan	0	0	1	1	0	1	0	3
12 Belorussia	0	0	0	0	1	1	0	2
13 Ukraine	0	0	0	0	1	1	0	2

In case if the condition (i) is implemented, a central bank receives 1 point for this clause and 0 – if not.

GMT-indices of political and economic independence represent a sum of their components and take values from 0 to 8. The total index represents a sum of GMT-indices of political and economic independence (Table 7).

Table 7.

Summary GMT-index

No.		Index of political independence	Index of economic independence	Index of total independence
1	Hungary	7	8	15
2	Bosnia and Herzegovina	8	7	15
3	Latvia	6	8	14
4	Kyrgyzstan	8	6	14
5	Czech Republic	7	7	14
6	Poland	7	7	14
7	Tajikistan	6	6	12
8	Georgia	7	5	12
9	Russia	5	6	11
10	Kazakhstan	4	7	11
11	Armenia	6	4	10
12	Serbia	5	5	10
13	Uzbekistan	5	3	8
14	Ukraine	5	2	7
15	Belorussia	4	2	6