



Regional: Strengthening ADB's Collaboration with the International Monetary Fund for Macroeconomic Management in the Caucasus, Central Asia, and Mongolia

Project Name	Strengthening ADB's Collaboration with the International Monetary Fund for Macroeconomic Management in the Caucasus, Central Asia, and Mongolia	
Project Number	54258-001	
Country	RegionalArmeniaAzerbaijanGeorgiaKazakhstanKyrgyz RepublicMongoliaTajikistanTurkmenistanUzbekistan	
Project Status	Proposed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA: Enhancing ADB's Collaboration with the International Monetary Fund for Macroeconomic Management in the Caucasus, Central Asia, and Mongolia	
	Technical Assistance Special Fund	US\$ 800,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Finance - Central banking systems Public sector management - Economic affairs management - Public expenditure and fiscal management	
Gender Equity and Mainstreaming	Some gender elements	
Description	The knowledge and support technical assistance (TA) will provide ADB's financial contribution to the new Caucasus, Central Asia, and Mongolia Technical Assistance Center (CCAMTAC) of the International Monetary Fund (IMF) that will undertake capacity development in macroeconomic-related areas for Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan. The CCAMTAC will be physically established in Almaty, Kazakhstan in mid-2021, but its remote capacity building activities will start from 1 January 2021 to respond to needs for macroeconomic policy advice amidst the COVID-19 pandemic. The first phase of the CCAMTAC runs through 2021-2026. CCAMTAC will be managed by a center coordinator (an experienced IMF staff) with strong backstop by departments concerned, guided by the Steering Committee (from the IMF, member countries, and external partners including ADB). CCAMTAC's capacity development will be delivered by its resident advisors and short-term experts.	
Project Rationale and Linkage to Country/Regional Strategy	Countries in the region face significant challenges of debt management. Mongolia's external debt stock started to rise after the global financial crisis of 2008-2009, and reached over 200% of GDP by 2015. While the external debt to GDP ratio somewhat declined since then, it still stays above 200%. The oil price shock in 2014-2015 widened fiscal deficits and increased public debt and external debt in the Caucasus and Central Asia. This was particularly the case for oil exporting countries, such as Kazakhstan, but also for oil importing countries that had close link to the oil exporters as key trading partners and remittance receivers. The government gross debt for all countries in the Caucasus and Central Asia combined accounted for 17.1% of their GDP on average for 2000-2014, but it increased thereafter to reach 26.3% by 2019. In the same period, their gross total external debt increased from 54.3% to 68.2% of GDP. External debt has been rising in relation to the gross national income (Figure). These countries have been vulnerable to exogenous shocks, with profound implication on public finance and the economies at large, while their capacity to design and implement effective fiscal, monetary, and exchange rate policies and financial sector regulations and supervision to cope with this unique challenge is still limited. More recently, the outbreak of coronavirus disease (COVID-19) and lower oil prices have put significant pressure on local currencies and sovereign spreads, revenues, and public expenditures in the Caucasus and Central Asia. Countries in the Caucasus, Central Asia, and Mongolia (CCAM) region face double challenges of addressing increased debt vulnerabilities on one hand and managing fiscal space for infrastructure and social expenditure on the other hand, with delicate expenditure control and enhanced domestic revenue mobilization. A related challenge is containing contingent liabilities that arise through lending by state-owned commercial banks to state-owned enterprises, pointing to the need for stronger banking supervision. Also, a number of economies in the region have undergone reform in monetary policy regime to allow for greater exchange rate flexibility, and the currency depreciation that followed increased the domestic currency value of external debt. Strengthening of relevant institutions, macro-fiscal frameworks and statistics will be critical to support better analysis, planning, and targeting of expenditures, risk identification and management, and communication of objectives and policies. Thus, there is a need to enhance the capacity of countries in the CCAM region for sound macroeconomic and debt management. Among multilateral institutions, the IMF has a specific mandate to address macroeconomic issues, and is best placed to address such capacity development needs in related areas.	
Impact	Improved living standard by achieving higher and inclusive growth in a sustainable manner	
Outcome	Robust growth with debt sustainability restored	
Outputs	Strengthened core PFM functions and introduction of progressively more advanced PFM practices and systems. Strengthened macroeconomic and financial statistics compilation and dissemination for decision making Macroeconomic forecasting and policy analysis capacity at relevant institutions to support the economic policymaking process Improved tax administration management and governance arrangements Strengthened capacity of the central bank to implement monetary policy effectively in the context of the given monetary policy regime Strengthened banking regulations and prudential norms	
Geographical Location	Armenia - Nation-wide; Azerbaijan - Nation-wide; Georgia - Nation-wide; Kazakhstan - Nation-wide; Kyrgyz Republic - Nation-wide; Mongolia - Nation-wide; Tajikistan - Nation-wide; Turkmenistan - Nation-wide; Uzbekistan - Nation-wide	

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	

Business Opportunities	
Consulting Services	ADB will fully delegate TA implementation to IMF, as the executing agency, who will select consultants, procure goods and services, sign and administer contracts (including payments), manage consultants and prepare the TA completion report.
Procurement	ADB will fully delegate TA implementation to IMF, as the executing agency, who will select consultants, procure goods and services, sign and administer contracts (including payments), manage consultants and prepare the TA completion report.

Responsible ADB Officer	Takamiya, Kenji
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Regional Cooperation and Operations Coordination Div, CWRD
Executing Agencies	<u>International Monetary Fund</u> <u>Regional</u>

Timetable	
Concept Clearance	11 Sep 2020
Fact Finding	-
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	25 Sep 2020

Project Page	https://www.adb.org/projects/54258-001/main
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