



Regional: Program to Enhance Capabilities of Sovereign Institutions in the Central and West Asia Region to Introduce Innovative Financing Modalities

Project Name	Program to Enhance Capabilities of Sovereign Institutions in the Central and West Asia Region to Introduce Innovative Financing Modalities					
Project Number	56136-001					
Country / Economy	Regional Kyrgyz Republic Pakistan Tajikistan Uzbekistan					
Project Status	Active					
Project Type / Modality of Assistance	Technical Assistance					
Source of Funding / Amount	<table border="1"> <tr> <td>TA 10041-REG: Program to Enhance Capabilities of Sovereign Institutions in the Central and West Asia Region to Introduce Innovative Financing Modalities</td> <td></td> </tr> <tr> <td>Technical Assistance Special Fund</td> <td>US\$ 3.13 million</td> </tr> </table>		TA 10041-REG: Program to Enhance Capabilities of Sovereign Institutions in the Central and West Asia Region to Introduce Innovative Financing Modalities		Technical Assistance Special Fund	US\$ 3.13 million
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Technical Assistance Special Fund	US\$ 3.13 million					
Strategic Agendas	Inclusive economic growth					
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development Knowledge solutions Partnerships Private sector development					
Sector / Subsector	Public sector management / Reforms of state owned enterprises					
Gender Equity and Mainstreaming	Some gender elements					
Description	<p>The knowledge and support technical assistance (TA) program will address interest expressed by the governments of the Asian Development Bank (ADB) developing member countries (DMCs) of Central and West Asia in leveraging private capital to address gaps in the financing of the Sustainable Development Goals (SDGs) using innovative financing modalities. The TA will focus on advising and assisting sovereign institutions and their stakeholders on strengthening their institutional capabilities to (i) develop a better understanding of various innovative financing modalities being implemented globally to correct specific market failures, realize opportunities, and overcome institutional limitations; (ii) validate the use of complex financing modalities and de-risking mechanisms to tap new sources of private financing for SDG financing gaps; (iii) strengthen the role of sovereign institutions in enabling the flow of private institutional capital for economic additionality, such as high social impact investments; (iv) facilitate novel partnership and contracting arrangements with the private sector, such as outcome-based financing; (v) explore innovative financing instruments to transfer disaster risks at the central and regional levels; and (vi) explore approaches and modalities that encourage the blending of other sources of capital (official development assistance, and private and other similar sources) with traditional forms of ADB financing, such as sovereign loans funded by ordinary capital resources and/or grants. The TA is aligned with ADB's Strategy 2030 vision of supporting DMCs in accelerating the development of approaches to catalyze private financing for achieving the SDGs. The TA supports the implementation of SDG 9 and SDG 17.</p>					
Project Rationale and Linkage to Country/Regional Strategy	<p>Limited fiscal resources of developing member countries of ADB's Central and West Asia region for financing the Sustainable Development Goals. To achieve the operational priorities of ADB's Strategy 2030, sovereign institutions in Central and West Asia DMCs must accelerate the mobilization of resources for SDG financing. The impact of the coronavirus disease (COVID-19) pandemic has been felt most acutely by some of the most vulnerable populations, and may delay the achievement of the SDGs in these DMCs by several years. The immediate consequences of COVID-19 have been rising public debt, increased sovereign risk, rating downgrades, capital outflow, reduced tax revenues, a marked drop in overseas remittances, and the reversal of social policy mandates. For women and girls, COVID 19 has further exacerbated gender inequalities. Developing economies in Central and West Asia have been further strained by the invasion of Ukraine. Pakistan's economic growth is expected to be slow in FY2023 (ending 30 June 2023) amid ongoing policy tightening, devastating floods, and a high inflation rate. Furthermore, because of the global investment and remittances, economic growth in Tajikistan and Uzbekistan is projected to be slower in FY2022 than in FY2021.</p> <p>Weak sovereign institutional mechanisms. The COVID-19 pandemic has further exacerbated the challenges of mobilizing private sector funds for SDG-related investments. The challenges for sovereign institutions in operationalizing or scaling innovative financing modalities in public-private partnership for SDG-related sectors that are public service in nature, such as health care and education, include (i) ineffective cooperation modalities between private and public institutions, (ii) diverse organizational set-ups and management techniques, (iii) varied incentive mechanisms and risk return metrics, (iv) diverse legal provisions and governance mechanisms, and (v) inadequate oversight from public sources.</p> <p>Insufficient links to private sector resources to address financing gaps. Although there is tremendous appetite and potential among private sector investors, the supply-side barriers include high initial transaction costs in developing a concept; lengthy design development stages; low risk-adjusted returns; disparate performance metrics; unfavorable contracting terms; and a lack of standardization for program design and delivery for key SDG sectors such as health care, education, and climate change adaptation.</p> <p>Lack of sovereign incubators or sandboxes to nurture novel ideas. Globally, innovative financing modalities, such as impact bonds, guarantees, leasing, and impact investments, have shown that they can unlock new sources of capital and address development challenges. Although there is tremendous interest among sovereign institutions in Central and West Asia DMCs to evaluate various innovative financing modalities to address specific market failures, overcome institutional limitations, build suitable capacity for engaging with the private sector, and implement such novel concepts following internationally acceptable standards and practices, there is also a lack of understanding of innovative financing and global practices being implemented by governments. The sovereign institutions are further constrained by a significant degree of uncertainty, the longtime horizon for developing such modalities, and the substantial financial resources needed to explore such novel concepts.</p>					
Impact	Institutional capacity of Central and West Asia DMCs enhanced and financial resources for development mobilized.					
Project Outcome						

Description of Outcome	Capacity of Central and West Asia DMCS to facilitate the mobilization of capital for financing the SDGs improved
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	Institutional capability of sovereign institutions for adopting innovative financing modalities for the SDGs enhanced. Knowledge support to sovereign institutions on innovative financing modalities provided
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	Kyrgyz Republic - Nation-wide; Pakistan - Nation-wide; Tajikistan - 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	
Responsible ADB Officer	Hegde, Abhishek Naveen
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Office of the Director General, CWRD
Executing Agencies	Asian Development Bank

Timetable	
Concept Clearance	09 Nov 2022
Fact Finding	29 Nov 2022 to 02 Dec 2022
MRM	-
Approval	13 Dec 2022
Last Review Mission	-
Last PDS Update	13 Dec 2022

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Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
3,125,000.00	0.00	0.00	0.00	0.00	0.00	3,125,000.00	-	0.00

Project Page	https://www.adb.org/projects/56136-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=56136-001
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