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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 / Economy

- Regional
- Armenia
- Azerbaijan
- Georgia
- Kazakhstan
- Kyrgyz Republic
- Mongolia
- Tajikistan
- Turkmenistan
- Uzbekistan

Project Status

Active

Project Type / Modality of Assistance

- Technical Assistance

Source of Funding / Amount

TA 6647-REG: Strengthening ADB's Collaboration with the International Monetary Fund for Macroeconomic Management in the Caucasus, Central Asia, and Mongolia

| Source | Amount |
|-----------------------------------|-----------------|
| Technical Assistance Special Fund | US\$ 800,000.00 |

Operational Priorities

- OP2: Accelerating progress in gender equality
- OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
- OP6: Strengthening governance and institutional capacity
- OP7: Fostering regional cooperation and integration

Sector / Subsector

- **Finance** / Central banking systems

- **Public sector management** / Economic affairs management - Public expenditure and fiscal management

Gender

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

Living standards improved by achieving higher and inclusive growth in a sustainable manner

Project Outcome

Description of Outcome

Robust growth with debt sustainability restored

Progress Toward Outcome

Implementation Progress

Description of Project Outputs

Core PFM functions strengthened and progressively more advanced PFM practices and systems introduced

Macroeconomic and financial statistics compilation and dissemination for decision making improved

Macroeconomic forecasting and policy analysis capacity at relevant institutions to support the economic policymaking process enhanced

Tax administration management and governance arrangements improved

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 enhanced

Status of Implementation Progress (Outputs, Activities, and Issues)

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.

Contact

Responsible ADB Officer

Arapova, Altynay

Responsible ADB Department

Central and West Asia Department

Responsible ADB Division

Regional Cooperation and Integration Unit, CWRD (CWRC)

Executing Agencies

International Monetary Fund

Timetable

Concept Clearance

11 Sep 2020

Fact Finding

31 Aug 2020 to 31 Aug 2020

MRM

-

Approval

04 Dec 2020

Last Review Mission

-

Last PDS Update

07 Dec 2020

Funding

TA 6647-REG

Milestones

| Approval | Signing Date | Effectivity Date | Closing | | |
|-------------|--------------|------------------|-------------|---------|--------|
| | | | Original | Revised | Actual |
| 04 Dec 2020 | 04 Dec 2020 | 04 Dec 2020 | 31 Jan 2026 | - | - |

Financing Plan/TA Utilization

| ADB | Cofinancing | Counterpart | | | | Total |
|------------|-------------|-------------|---------------|-----------------|--------|------------|
| | | Gov | Beneficiaries | Project Sponsor | Others | |
| 800,000.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 800,000.00 |

Cumulative Disbursements

| Date | Amount |
|-------------|------------|
| 31 Aug 2023 | 800,000.00 |

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

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