



Technical Assistance Report

Project Number: 54258-001
Knowledge and Support Technical Assistance (KSTA)
November 2020

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

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CCAM	–	Caucasus, Central Asia, and Mongolia
CCAMTAC	–	Caucasus, Central Asia, and Mongolia Technical Assistance Center
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
G20	–	Group of Twenty
IMF	–	International Monetary Fund
MDB	–	multilateral development bank
PFM	–	public financial management
PFTAC	–	Pacific Financial Technical Assistance Centre
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund

NOTE

In this report, “\$” refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 54258-001
Project Name	Strengthening ADB's Collaboration with the International Monetary Fund for Macroeconomic Management in the Caucasus, Central Asia, and Mongolia	Department/Division CWRD/CWRC
Nature of Activity Modality	Capacity Development Regular	Executing Agency International Monetary Fund
Country	REG (ARM, AZE, GEO, KAZ, KGZ, MON, TAJ, TKM, UZB)	
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Public sector management	Economic affairs management	0.32
	Public expenditure and fiscal management	0.32
Finance	Central banking systems	0.16
	Total	0.80
3. Operational Priorities		Climate Change Information
✓ Accelerating progress in gender equality		GHG Reductions (tons per annum) 0
✓ Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project Low
✓ Strengthening governance and institutional capacity		ADB Financing
✓ Fostering regional cooperation and integration		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
		Cofinancing
		Adaptation (\$ million) 0.00
		Mitigation (\$ million) 0.00
Sustainable Development Goals		Gender Equity and Mainstreaming
SDG 1.b		Some gender elements (SGE) ✓
SDG 5.c		
SDG 12.7		
SDG 16.6, 16.8		
SDG 17.4		
4. Risk Categorization Complex		Poverty Targeting
5. Safeguard Categorization Safeguard Policy Statement does not apply		General Intervention on Poverty ✓
6. Financing		
Modality and Sources		Amount (\$ million)
ADB		0.80
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.80
Cofinancing		0.00
None		0.00
Counterpart		0.00
None		0.00
Total		0.80
Currency of ADB Financing: US Dollar		

I. INTRODUCTION

1. Through this knowledge and support technical assistance (TA), the Asian Development Bank (ADB) will provide a financial contribution to the International Monetary Fund (IMF) for its new Caucasus, Central Asia, and Mongolia Technical Assistance Center (CCAMTAC). The center will undertake capacity development in macroeconomic-related areas for Armenia, Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan, and other beneficiary countries that may be added in the future.¹ The CCAMTAC will be physically established in Almaty, Kazakhstan by late 2021, but its remote capacity building activities will start from 1 January 2021 to respond to emerging needs for macroeconomic policy advice during the coronavirus disease (COVID-19) pandemic. The first phase of the CCAMTAC will run from 2021 to 2026. A center coordinator (an experienced IMF staff member) will manage the CCAMTAC, backstopped by the IMF's departments concerned² and guided by a steering committee from the IMF, member countries, and external partners including ADB. IMF resident advisors and short-term experts will deliver the CCAMTAC's capacity development. In 2020, the IMF asked ADB for a financial contribution of \$800,000 to support the first phase of the CCAMTAC, whose total budget is proposed to be \$45 million.

2. The design of the proposed TA draws upon IMF's program document for the first phase of the CCAMTAC. The TA is aligned with ADB's Strategy 2030's operational priority on strengthening governance and institutional capacity by addressing macro-fiscal stability, public financial management including debt sustainability, and adequate fiscal space for service delivery.³ The TA is not included in any country operations business plans because it is regional.⁴

II. ISSUES

3. Countries in the region face significant debt management challenges. Mongolia's external debt started to rise after the global financial crisis of 2008–2009 and exceeded 200% of gross domestic product (GDP) by 2015. While the country's external debt-to-GDP ratio has declined since then, it has remained 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 impact was felt by oil-exporting countries, such as Azerbaijan and Kazakhstan, as well as oil-importing countries, such as Armenia and the Kyrgyz Republic, with close links to the oil exporters as key trading partners and sources of remittance. For all countries in the Caucasus and Central Asia, their governments' gross debt averaged 17.1% of GDP for 2000–2014 but increased to 26.3% by 2019. In the same period, the gross total external debt of these countries increased from 54.3% to 68.2% of GDP. External debt has also been rising in relation to gross national income (figure). These countries are vulnerable to exogenous shocks, which could have profound implications for their public finances and economies. Their capacity to design and implement effective fiscal, monetary, and exchange rate policies and financial sector regulations and supervision remains limited.

4. The outbreak of COVID-19 in 2020 and lower oil prices have put significant pressure on local currencies and sovereign spreads, revenues, and public expenditures in the Caucasus and

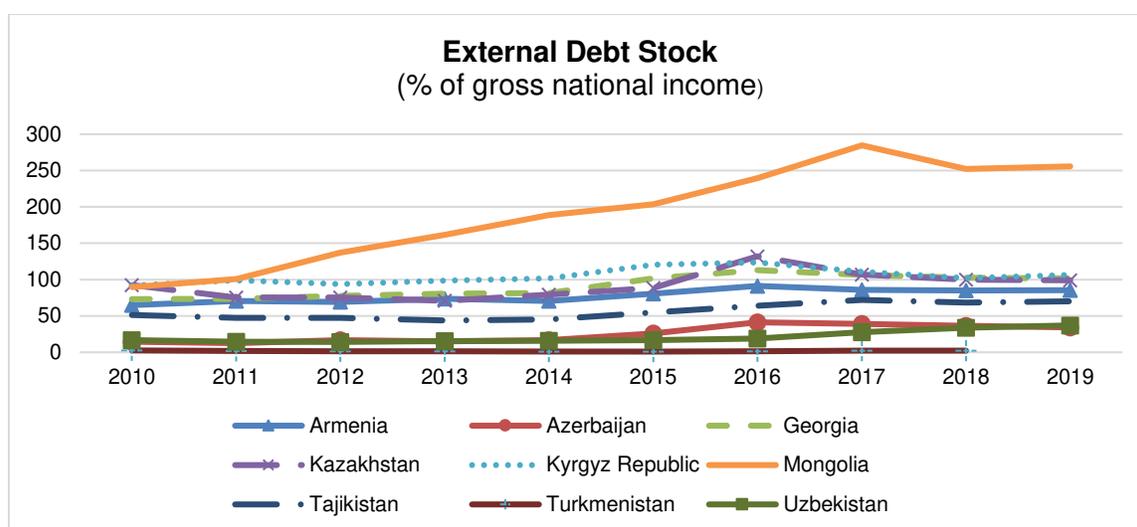
¹ This TA report was primarily based on IMF's program document for the CCAMTAC's Phase I: IMF. 2020. *Caucasus, Central Asia and Mongolia Regional Capacity Development Center Program Document: Phase I, 2021–2026*. Washington, DC.

² The backstopping departments of the IMF headquarters include the Institute for Capacity Development, the Fiscal Affairs Department, the Monetary and Capital Markets Department, and the Statistics Department.

³ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

⁴ The TA first appeared in the business opportunities section of ADB's website on 28 September 2020.

Central Asia. Countries in the Caucasus, Central Asia, and Mongolia (CCAM) face the dual challenges of increased debt vulnerabilities and managing fiscal space for infrastructure and social expenditure with prudent expenditure control and enhanced domestic revenue mobilization. A related challenge is containing contingent liabilities that arise from lending by state-owned commercial banks to state-owned enterprises, pointing to the need for stronger banking supervision. In addition, some economies in the region have reformed their monetary policy regime to allow for greater exchange rate flexibility, but the currency depreciation that followed increased the domestic currency value of external debt. Strengthening institutions, macro-fiscal frameworks, and statistics will be essential to support (i) better analysis, planning, and targeting of expenditures; (ii) risk identification and management; and (iii) communication of objectives and policies. Thus, the capacity of countries in the CCAM region for sound macroeconomic and debt management needs to be enhanced. 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.



Note: Turkmenistan data for 2019 not available.

Source: World Bank's World Development Indicators database. <https://data.worldbank.org/> (accessed on 22 October 2020).

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

5. The TA is aligned with the following impact: living standards improved by achieving higher and inclusive growth in a sustainable manner (footnote 1). The TA will have the following outcome: robust growth with debt sustainability restored in countries in the CCAM region.⁵

B. Outputs, Methods, and Activities

6. Through ADB's financial contribution to the CCAMTAC, the proposed TA will provide capacity development for CCAM countries to pursue robust growth with sound debt sustainability. The CCAMTAC will provide capacity development services to all nine developing member countries in the CCAM region and other beneficiary countries that may be added in the future. In

⁵ The objectives and monitoring indicators for CCAMTAC's first phase are summarized in the logical framework developed by the IMF; its core elements are reflected in this TA's design and monitoring framework (Appendix 1).

the first phase of its operations, 2021–2026, the center will cover six priority areas identified in the program document developed by the IMF: public financial management, revenue administration, monetary policy, financial sector supervision, macroeconomic statistics, and macroeconomic framework. The envisaged outputs of the first phase of CCAMTAC’s program are presented in the box.⁶

International Monetary Fund’s Caucasus, Central Asia, and Mongolia Technical Assistance Center Envisaged Outputs for Phase I, 2021–2026

Output 1: Core public financial management functions strengthened, and progressively more advanced public financial management practices and systems introduced. Public financial management activities will focus on strengthening medium-term fiscal framework processes for budget preparation; infrastructure governance; budget execution and control; coverage and quality of fiscal reporting; monitoring, management, and disclosure of fiscal risks; fiscal transparency practices; and cash and debt management.

Output 2: Macroeconomic and financial statistics compilation and dissemination for decision making improved. Capacity development activities will aim to enhance the quality, timeliness, and accessibility of macroeconomic statistics, including national accounts and price statistics, for decision making. In government finance statistics, support will aim to strengthen coverage, compilation, and dissemination of government and public debt statistics. In external sector statistics, the assistance will focus on enhancing the coverage and compilation of internationally comparable balance of payments, the international investment position, and external debt statistics.

Output 3: Macroeconomic forecasting and policy analysis capacity at relevant institutions to support the economic policy-making process enhanced. Strengthening macroeconomic forecasting and analytical capacity along with supporting analytical tools will help countries in the CCAM region improve macroeconomic and macro-fiscal forecasting ability, credibility, and policy analysis, as well as help them identify and mitigate macroeconomic risks. It will also provide a sound basis for policy formulation by better linking monetary and fiscal policies to consistent macroeconomic scenarios, improved medium-term macroeconomic frameworks and supporting institutional arrangements, analytical tools, and communications outputs and channels.

Output 4: Tax administration management and governance arrangements improved. Revenue administration activities will focus on supporting strategic planning, bolstering organizational structures and performance management, identifying and mitigating compliance risks across taxes and taxpayer segments, and integrating information technology solutions and third-party information sources.

Output 5. Capacity of the central bank to implement monetary policy effectively in the context of the given monetary policy regime strengthened. Capacity development will focus on strengthening the capacity of central banks in the countries of the CCAM region to implement monetary policy and conduct foreign exchange operations effectively in order to achieve slow and stable inflation and to foster financial sector stability, development, and inclusion.

Output 6. Banking regulations and prudential norms enhanced. Capacity development will develop and/or strengthen banking regulation and prudential norms, implement risk-based supervision systems, and upgrade other supervisory processes.

Source: IMF. 2020. *Caucasus, Central Asia and Mongolia Regional Capacity Development Center Program Document: Phase I, 2021–2026*. Washington, DC.

⁶ Annual work plans under the first 5-year phase of CCAMTAC will describe specific, measurable milestones of multiyear projects in dedicated logical frameworks. The range of topics covered by the center will be adjusted as country needs evolve before and during the first phase and in subsequent phases.

7. Debt management will be addressed directly under two priority areas at the CCAMTAC: public financial management (PFM) and macroeconomic statistics. Sound expenditure control and availability of public debt statistics are essential to preserving the sustainability of public debt. The CCAMTAC is expected to deliver extensive capacity development in these key areas. The CCAMTAC's other priority areas will also help debt management indirectly. Enhanced revenue administration should help shrink fiscal deficits, reducing the need to resort to debt. Monetary and exchange rate policy and banking supervision are vital for sustainability of external debt (including borrowing by the private sector). While most capacity development activities will be in countries in the CCAM region, some training sessions could be in other countries or other IMF regional TA centers. The CCAMTAC will also facilitate regional and bilateral workshops and seminars to achieve greater peer-to-peer exchange and learning among its member countries.

8. The TA responds to the call by the Group of Twenty (G20) to enhance collaboration for capacity development between the IMF and multilateral development banks (MDBs). The principles adopted by the G20 members in March 2017 state: "The IMF and MDBs should [...] enhance coordination around provision of technical assistance and capacity building, especially for low-income countries, in order to reinforce their capacity to anticipate, analyze and respond to a crisis."⁷ The proposed TA would signify such collaboration among international financial institutions.

9. For countries in the Caucasus and Central Asia, ADB envisages providing policy-based lending and TA in several of the CCAMTAC's priority areas, including PFM and finance sector reforms. The CCAMTAC's support activities are expected to contribute to reform prioritization, design, and implementation under these policy-based lending operations. The CCAMTAC may also contribute to ADB's crisis response operations through special policy-based lending and the countercyclical support facility. Further, the TA will enrich policy dialogue in the economic and financial stability cluster of the Central Asia Regional Economic Cooperation program, which is implemented together by ADB, the IMF, and the World Bank. The program's secretariat will attempt to engage with the CCAMTAC to promote regional policy dialogue and deliver joint knowledge, training, and capacity building events.

C. Cost and Financing

10. The TA is estimated to cost \$800,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (\$300,000 TASF-6 and \$500,000 TASF-other sources). The key expenditures are listed in Appendix 2.

11. The CCAMTAC's proposed budget for the first phase is \$45 million. The budget will be financed by the IMF, the host country (Kazakhstan), other CCAM countries, and donor partners and other development partners including ADB. Kazakhstan has committed to cover nearly half of the externally financed portion of the budget (\$20 million). All other CCAMTAC member countries are expected to provide a financial contribution to demonstrate ownership and ensure sustainability. The IMF's contribution will be about \$3.3 million over 5 years to cover the coordinator's salary, benefits, and residence.

⁷ "G20 Principles for effective coordination between the IMF and MDBs in case of countries requesting financing while facing macroeconomic vulnerabilities, March 2017" and their implementation status are presented in Staffs of the International Monetary Fund, the World Bank, and the Inter-American Development Bank. 2018. *Group of Twenty: Coordination between the International Monetary Fund and Multilateral Development Banks on Policy-Based Lending: Update on the Implementation of the G20 Principles*. Washington, DC: International Monetary Fund. Available at <https://www.imf.org/external/np/g20/pdf/2018/082918.pdf>.

D. Implementation Arrangements

12. ADB will delegate TA implementation and transfer the funds to the IMF. The IMF is the executing agency and the CCAMTAC is the implementing agency. ADB and the IMF will sign a letter of understanding that governs the transfer of funds from ADB to IMF for the CCAMTAC activities. The IMF will be responsible for the CCAMTAC's managerial, technical, and administrative arrangements, while ADB will add value by acting as a member of the steering committee that endorses the annual work programs and monitors the CCAMTAC's progress. Established in 1945, the IMF's primary purpose is to ensure stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The IMF's mandate was updated in 2012 to include all macroeconomic and finance sector issues that impact global stability.

13. **Procurement and human resources management.** Procurement will be from the IMF's 189 member countries in accordance with the IMF's guidelines and procedures.⁸ The IMF will identify, employ, and manage the human resources. The CCAMTAC will be staffed by resident advisors (long-term experts), who will be selected and hired by the IMF based on technical competence, management capacity, and experience. The IMF will define the terms of reference.⁹ The long-term experts will be supported by short-term experts, who will assist with specific capacity development engagements in the CCAMTAC countries.¹⁰ ADB's Board of Directors will consider the TA because of the following: (i) a waiver of section 3.04(iii) of the Regulations of the Technical Assistance Special Fund (TASF)¹¹ to permit the use of TASF resources to finance expenditures in non-member countries, as set out in para. 21 of this TA report¹²; and (ii) the use of IMF's procurement guidelines and procedures instead of ADB's procurement procedures.¹³

14. **Transfer of funds and disbursement.** ADB funding will be provided in one installment to the IMF upon effectiveness of the letter of understanding and pooled with funds from other development partners. The IMF's subaccount will be used to receive and disburse financial contributions for the CCAMTAC's activities. All resources contributed to the subaccount will be for the sole use of the CCAMTAC. The IMF will manage the subaccount in accordance with its financial regulations and other applicable IMF practices and procedures in lieu of ADB's TA Disbursement Handbook.¹⁴

15. **Implementation period.** The TA will be implemented from December 2020 to January 2026, exceeding 5 years to cover CCAMTAC's first phase (tentatively planned from 1 January 2021 to 1 January 2026) and its preparatory phase in December 2020. The CCAMTAC will start operating formally and virtually on 1 January 2021, shortly after an initial steering committee

⁸ Information on procurement activities by the IMF is available on its website: <https://www.imf.org/external/np/procure/eng/index.htm>.

⁹ Indicative terms of reference are accessible from the list of linked documents in Appendix 3.

¹⁰ The work of the coordinator and long-term experts will be supported by an office manager, assistants, a local security coordinator, and other personnel (e.g., driver, translators). The CCAMTAC may engage a local economist or research assistant. The IMF will select the local staff on an open, competitive basis.

¹¹ Section 3.04 (iii) of the Regulations of the TASF provides the following: "Except as otherwise provided in or permitted by these Regulations, the resources of the Fund may be used to finance expenditures in the territories of any member country of the Bank ... for services and facilities supplied from such territories."

¹² The Board of Directors must approve the waiver by a vote representing not less than two-thirds of the total voting power of the members of the Board.

¹³ ADB. 2017. *ADB Procurement Policy: Goods, Works, Nonconsulting and Consulting Services*. Manila.

¹⁴ The activities financed under the subaccount are the TA and related activities of the IMF. The IMF's policies, rules, and regulations will apply to the activities financed and the administration of resources under the subaccount. The CCAMTAC is an office of the IMF without a separate legal personality distinct from the IMF. The IMF will charge 7% management fees on each contribution to the subaccount.

meeting in December 2020. The virtual opening will help meet the increased demand for the IMF's TA to respond to COVID-19 and oil price shocks in the region. The center is expected to physically open by late 2021. By December 2020, the IMF will recruit the center coordinator to work with countries in the CCAM region, build detailed work plans with each of them, and finalize the physical preparations (real estate, equipment) for the center. The implementation arrangements are summarized in the table.

Implementation Arrangements

Aspects	Arrangements		
Implementation period	December 2020–January 2026		
Executing agency	IMF		
Implementing agency	Caucasus, Central Asia, and Mongolia Technical Assistance Center		
Advisors and experts	Package title	Selection method	Engaged by
	Individual: Resident Advisors	IMF's guidelines and procedures	IMF
	Individual: Short-term Experts	IMF's guidelines and procedures	IMF
Disbursement	ADB will deposit an installment of \$800,000 in the IMF's subaccount within 1 month after the letter of understanding between ADB and IMF has become effective and following receipt of the IMF's written request.		

ADB = Asian Development Bank, IMF = International Monetary Fund.

Sources: IMF. 2020. *Caucasus, Central Asia and Mongolia Regional Capacity Development Center Program Document: Phase I, 2021–2026*. Washington, DC; *The Caucasus, Central Asia and Mongolia Regional Capacity Development Center Subaccount – Letter of Understanding ("LOU") for Contribution by the Asian Development Bank* (draft).

16. **Reporting, evaluation, and audit.** The IMF will keep ADB informed on the progress of the activities under the subaccount by posting once a year on the IMF's external portal to which each contributor has access (i) a financial statement regarding the operations and transactions under the subaccount,¹⁵ (ii) a progress report, and (iii) a list of key decisions taken at the annual steering committee meeting. The IMF will prepare annual reports to monitor the progress on the milestones envisaged in capacity development projects and to identify obstacles and potential actions to optimize performance. The operations and transactions during the IMF's financial year will be audited as part of the IMF's framework administered account¹⁶; the external audit report will be posted on the IMF's external website as part of the IMF's Annual Report. The CCAMTAC will also be subject to audits by the IMF's Office of Internal Audit. In line with IMF policy, an independent external evaluation of the CCAMTAC will take place no later than 40 months after its activities have begun. The evaluation will assess effectiveness and sustainability, bearing in mind the long-term nature of capacity building. It will formulate advice for improvement to inform discussions on the CCAMTAC's future operations.

17. **Social media and websites.** The CCAMTAC will create a website with frequently updated information on TA and training. Twitter and Facebook will serve as key outlets for social media to broaden the target audience. The center will distribute a newsletter to member countries and development partners and post it on its website and through social media to enable news of capacity development activities to reach a broader audience.

18. The IMF has a global network of 16 regional capacity development centers. Its independent external evaluations have consistently given these centers high marks for quality of advice and training, as well as speed and flexibility of response to member-country needs. The TA implementation arrangement follows the successful model established by ADB's previous

¹⁵ The financial statement is expected to help ensure that ADB's contribution, together with other contributions to the subaccount, are used for the purposes approved for activities of the CCAMTAC.

¹⁶ The administration of resources and the activities financed under the subaccount will be governed by the Instrument for a Framework Administered Account for Selected Fund Activities.

contribution to the IMF's Pacific Financial Technical Assistance Centre (PFTAC). Since 1994, ADB has provided \$7.2 million to the PFTAC under 11 consecutive regional TA projects.¹⁷ One of the challenges for the PFTAC has been that a large number of countries are covered by a small number of advisors, both on the side of the PFTAC and of other development partners, which limits resources available for coordination. To overcome the resource constraint for the CCAM region, ADB will provide additional TA for debt management while avoiding duplication with the CCAMTAC. Whereas the CCAMTAC addresses debt management from a broad macroeconomic point of view, ADB's TA will cover more specific technical issues unique to public debt management.

E. Governance

19. The CCAMTAC will be governed according to the IMF's overall framework for regional capacity development centers. The CCAMTAC will be guided by a steering committee comprising the IMF, country representatives, and development partners including ADB. The steering committee will provide strategic guidance and identify priorities, endorse the annual work plan and budget, and review annual reports. The CCAMTAC may involve other stakeholders in the steering committee meetings, such as regional or international organizations. The steering committee will be chaired by member countries on a rotating basis. Steering committee members are expected to provide feedback on the center's operations and help ensure that annual work plans (i) reflect member country needs—through member country representatives, (ii) are well coordinated with capacity development delivered by other providers—through member country and development partner representatives, and (iii) are well-integrated with other capacity development, surveillance, and lending activities of the IMF.

20. The CCAMTAC will be managed by a coordinator who is a senior IMF manager. The coordinator is responsible for day-to-day management and operations, with strategic guidance from the steering committee and oversight from the IMF headquarters. The coordinator is responsible for the implementation of the CCAMTAC work plan, execution of its budget, administrative management of the resident advisors, and hiring and supervision of local staff. Based on the experience of ADB's previous financial contributions to the IMF, its financial management, procurement, and corruption risks under the TA are considered low.¹⁸ The activities to be carried out under the TA will contribute to stronger PFM, procurement, and anticorruption capabilities of developing member countries.

IV. THE PRESIDENT'S RECOMMENDATION

21. The President recommends that the Board approve (i) the use of procurement guidelines and procedures of the International Monetary Fund for the procurement for the Caucasus, Central Asia, and Mongolia Technical Assistance Center; (ii) the use of Technical Assistance Special Fund resources to finance expenditures in the territories of non-members of the Asian Development Bank, for services and facilities supplied from such territories, for the Caucasus, Central Asia, and Mongolia Technical Assistance Center; and (iii) the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis for Strengthening ADB's Collaboration with the International Monetary Fund for Macroeconomic Management in the Caucasus, Central Asia, and Mongolia.

¹⁷ ADB. 2016. *Technical Assistance for the Pacific Financial Technical Assistance Centre, 2016–2022*. Manila.

¹⁸ Financial management assessment is accessible from the list of linked documents in Appendix 3.

DESIGN AND MONITORING FRAMEWORK

Impact the TA Is Aligned with Living standards improved by achieving higher and inclusive growth in a sustainable manner. ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Robust growth with debt sustainability restored	<p>a. Average GDP growth rates in the post-COVID-19 period recovered to 4.0% for the Caucasus and Central Asia (2020 baseline is projected to be -4.1% by the IMF) and 5.0.% for Mongolia (2020 baseline projected to be -2.0% by the IMF) by FY2026</p> <p>b. Average general government net lending/borrowing in the post COVID-19 period contained to -2.0% of GDP for the Caucasus and Central Asia (2020 baseline is projected to be -6.7% by the IMF) and -3.4% for Mongolia (2020 baseline projected to be -11.5%) by FY2026</p>	<p>a. World Economic Outlook</p> <p>b. World Economic Outlook</p>	<p>Insufficient political support</p> <p>Insufficient management support and technical staff commitment, and staff turnover</p> <p>Poor interagency coordination</p> <p>Inadequate resources</p>
Outputs 1. Core PFM functions strengthened, and progressively more advanced PFM practices and systems introduced	<p>1a. Percentage variation between macro-fiscal forecasts and outturns narrowed (PEFA PI-1, PI-2, PI- 3)</p> <p>1.b. Comprehensiveness of budget coverage and documentation enhanced (PEFA PI-5, PI-6, PI-9)</p> <p>1.c. Variation between revenue outturn and approved budget narrowed (PEFA PI-3)</p> <p>1.d. Availability, adoption, and reporting of fiscal strategy ensured (PEFA PI-15)</p> <p>1.e. Medium-term perspective incorporated in budget framework (PEFA PI-16)</p> <p>1.f. Disclosure and management of risk related to public assets and liabilities undertaken</p> <p>1.g. Reporting contingent liabilities and other risks undertaken (PEFA PI-10.3)</p>	<p>1.a.–1.g. CCAMTAC TA reports to the steering committee; independent external evaluation of CCAMTAC to take place no later than 40 months after the activities financed under the subaccount have begun</p>	<p>Insufficient ownership and high-level support for reforms from authorities</p> <p>Insufficient technical and resource capacity to implement reforms</p> <p>Major exogenous shocks or deterioration in political circumstances in member countries</p> <p>Lack of close collaboration with other development partners to optimize capacity development and avoid duplication</p> <p>Irresponsive political decision-making process that results in delays and lack of implementation of the action plans</p> <p>Insufficient commitment of staff and their supervisors</p> <p>Insufficient human resources (number of staff,</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
2. Macroeconomic and financial statistics compilation and dissemination for decision making improved	<p>2.a. The classifications in broad conformity with internationally recommended systems</p> <p>2.b. Data for quarterly national accounts disseminated within 90 days after the end of the reference period</p> <p>2.c. Public sector debt statistics compiled and disseminated quarterly</p> <p>2.d. Fiscal and debt data consistent or reconcilable with those obtained through other data sources and/or statistical frameworks</p> <p>2.e. Macro fiscal frameworks migrated to <i>Government Finance Statistics Manual 2014</i> concepts</p>	2.a.–2.e. CCAMTAC TA reports to the steering committee; independent external evaluation of CCAMTAC to take place no later than 40 months after the activities financed under the subaccount have begun	<p>training and/or knowledge, technical skills)</p> <p>Lack of coordination between agencies</p>
3. Macroeconomic forecasting and policy analysis capacity at relevant institutions to support the economic policy-making process enhanced	3. A macroeconomic projection tool developed in the form of (i) a basic (Excel) framework for forecasting and policy analysis, respecting accounting relationships; (ii) a general equilibrium model with mainly adaptive behavior; (iii) a semi-structural general equilibrium model with rational expectations; (iv) a fully structural dynamic model; (v) a hybrid model; and (vi) a fiscal/debt sustainability model	3. CCAMTAC TA reports to the steering committee; independent external evaluation of CCAMTAC to take place no later than 40 months after the activities financed under the subaccount have begun	<p>Insufficient political support, management support, and technical staff commitment</p> <p>Staff turnover</p> <p>Lack of interagency coordination</p> <p>Resource inadequacy</p>
4. Tax administration management and governance arrangements improved	<p>4a. Substantive provisions of the tax and customs laws better aligned with modern standards and/or protocols, and widely communicated and applied</p> <p>4b. Administrative provisions harmonized and consolidated, for example, under a tax procedures code</p>	4.a.–4.b. CCAMTAC TA reports to the steering committee; independent external evaluation of CCAMTAC to take place no later than 40 months after the activities financed under the subaccount have begun	Insufficient leadership to carry out reform measures and commitment by authorities to reach selected milestones
5. Capacity of the central bank to implement monetary policy effectively in the context of the given monetary policy regime strengthened	<p>5.a. The central bank's mandate and tasks evidenced by issuance of both internal documents and new legislation</p> <p>5.b. A specific target for inflation announced</p> <p>5.c. Operating and intermediate monetary policy targets declared publicly</p>	5.a.–5.c. CCAMTAC TA reports to the steering committee; independent external evaluation of CCAMTAC to take place no later than 40 months after the activities financed	<p>Lack of the central bank's legal and operational independence</p> <p>Fiscal dominance</p> <p>Lack of credible data</p> <p>Underdeveloped domestic money markets</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
		under the subaccount have begun	Significant financial dollarization
6. Banking regulations and prudential norms enhanced	6.a. Guidelines and regulations for risk measurement and management adopted 6.b. Supervisors assessment undertaken on whether regulations and guidelines on risk measurement and management are being applied by banks	6.a.–6.b. CCAMTAC TA reports to the steering committee; independent external evaluation of CCAMTAC to take place no later than 40 months after the activities financed under the subaccount have begun	Insufficient political support to pass or enforce the necessary legislation or regulations Insufficient ownership by authorities High staff turnover and inability to retain competent staff Weak information technology systems

Key Activities with Milestones

- 1. Core PFM functions strengthened, and progressively more advanced PFM practices and systems introduced**
Capacity development in PFM pursued by the IMF as per the prospective annual work programs (January 2021–January 2026)
- 2. Macroeconomic and financial statistics compilation and dissemination for decision making improved**
Capacity development in statistics pursued by the IMF as per the prospective annual work programs (January 2021–January 2026)
- 3. Macroeconomic forecasting and policy analysis capacity at relevant institutions to support the economic policy making process enhanced**
Capacity development in forecast pursued by the IMF as per the prospective annual work programs (January 2021–January 2026)
- 4. Tax administration management and governance arrangements improved**
Capacity development in taxation pursued by the IMF as per the prospective work programs (January 2021–January 2026)
- 5. Capacity of the central bank to implement monetary policy effectively in the context of the given monetary policy regime strengthened**
Capacity development in monetary and exchange rate policy pursued by the IMF as per the prospective annual work programs (January 2021–January 2026)
- 6. Banking regulations and prudential norms enhanced**
Capacity development in banking pursued by the IMF as per the prospective annual work programs (January 2021–January 2026)

Inputs

ADB: \$800,000 (\$300,000 TASF-6 and \$500,000 TASF-other sources)

Assumptions for Partner Financing

Outputs not administered by ADB that are necessary to reach the outcome include

Outputs 1-6: Kazakhstan: \$20 million; other CCAM countries and development partners: \$20.9 million; IMF: \$3.3 million

ADB = Asian Development Bank; CCAM = Caucasus, Central Asia, and Mongolia; CCAMTAC = CCAM Technical Assistance Center; COVID-19 = coronavirus disease; FY = fiscal year, GDP = gross domestic product; IMF = International Monetary Fund; PEFA = public expenditure and financial accountability; PFM = public financial management, TA = technical assistance.

Note: This design and monitoring framework presents part of indicators in the logical framework for the first phase of the CCAMTAC prepared by the IMF. More detailed milestones and targets will be determined in the annual work plans of the CCAMTAC. The steering committee will meet at a minimum annually to endorse the annual work plan for the next financial year and assess the level of its implementation during the ongoing financial year.

^a IMF. 2020. *Caucasus, Central Asia and Mongolia Regional Capacity Development Center Program Document: Phase I, 2021–2026*. Washington, DC.

Regional Sources: IMF. World Economic Outlook (October 2020) database. <https://www.imf.org/external/datamapper/datasets/WEO> (accessed 22 October 2020).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants ^b	
a. Remuneration and per diem: International consultants	456.2
b. Out-of-pocket expenditures: International and local travel	72.0
2. Training, seminars, workshops, forum, and conferences ^c	38.3
3. Miscellaneous administration and support costs ^d	233.5
Total	800.0

The technical assistance (TA) is estimated to cost \$800,000, of which contributions from the Asian Development Bank (ADB) are presented in the table.

^a Financed by ADB's Technical Assistance Special Fund (\$300,000 TASF-6 and \$500,000 TASF-other sources). ADB funding will be provided in one installment to the International Monetary Fund (IMF) upon effectiveness of the letter of understanding between ADB and the IMF. Allocations across cost items are indicative and based on allocations in the Caucasus, Central Asia and Mongolia Technical Assistance Center's budget for 2021–2016, excluding expenditures financed by the IMF. ADB's TA is not earmarked for specific expenditures within the Caucasus, Central Asia and Mongolia Technical Assistance Center budget.

^b Costs for capacity development by resident advisors and short-term experts.

^c Includes funds for regional events (workshops, seminars) and emerging areas (e.g., financial technology, climate, gender), and capacity development topics not covered separately (e.g., external sector statistics), including missions from the IMF headquarters. No resident advisors are to be recruited in this area. To be managed as a central pool with support for other workstreams.

^d Including costs for administration, governance and evaluation, facilities, start-up, strategic budget reserve, and the trust fund management fee.

Source: ADB estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=54258-001-TARreport>

1. Terms of Reference
2. Financial Management Assessment, Transfer of Funds, and Risk Assessment and Risk Management Plan