CAUCASUS, CENTRAL ASIA, AND MONGOLIA REGIONAL CAPACITY DEVELOPMENT CENTER

CCAMTAC

PROGRAM DOCUMENT

PHASE I

2021–2026

A Multi-Donor Initiative
Supported by Member Countries
and the Development Partners

CCAMTAC Member Countries

Armenia	Azerbaijan	Georgia
Kazakhstan	Kyrgyzstan	Mongolia
Tajikistan	Turkmenistan	Uzbekistan

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INTERNATIONAL MONETARY FUND

EXECUTIVE SUMMARY

This program document outlines the proposed capacity development (CD) strategy for the first phase of operations of the new IMF regional capacity development (CD) center for the Caucasus, Central Asia, and Mongolia ("CCAMTAC"). CCAMTAC will be based in Almaty, Kazakhstan and join a global network of sixteen IMF regional CD centers that aim to strengthen country policymaking capacity and institutions by transferring skills and promoting best practices.

Significant progress has been made to strengthen policy frameworks, institutions, and capacity across the CCAM region, including with support from IMF policy and technical advice and financial support. Engagement of CCAM governments and central banks is strong. At the same time, challenges and unmet capacity development needs remain, especially to reduce vulnerability to shocks, further strengthen institutions and staff, and secure strong, sustainable, and inclusive growth.

CCAMTAC will deliver practical and high-quality advice in areas essential to sound and effective macroeconomic management. Past IMF technical assistance (TA) to CCAM countries has been highly effective, and as shown by the experience of IMF regional centers worldwide, CCAMTAC will bolster engagement and effectiveness through deeper awareness of CCAM country specifics—institutions and legal and policy frameworks—and through close and continuous implementation support.

In recent years, IMF TA to the CCAM countries has increased markedly—by two thirds—reflecting closer engagement after the sharp decline of commodity prices in 2015–16 and reorientation of policies in some CCAM countries. CCAMTAC will provide additional resources for a further, major increase. The center will focus on TA and peer learning (workshops, seminars, and customized training); classroom training will continue to be provided at IMF headquarters and Fund training centers in Vienna, Singapore, and China.

During Phase I, CCAMTAC will help member countries further build their capacity to design and implement economic policies consistent with their priorities. Most CCAM countries need to create fiscal space for critical social spending and public investment and to sustain their capacity to address adverse shocks. This will require higher revenue mobilization and more efficient spending. Reducing vulnerability to shocks is also an important objective for monetary and financial sector policies. Also, better data are needed to inform policymaking.

In preparation for Phase I, the IMF consulted with CCAM country authorities and conducted a needs assessment analysis. As a result, CCAMTAC will have seven CCAMTAC advisors who will work on:

- Macroeconomic analysis: macro-frameworks, analysis, forecasting, and communications.
- Fiscal policy: public financial management, macro-fiscal issues, revenue administration.
- Monetary and financial sector policies: central bank operations and financial regulation and supervision.
- Macroeconomic statistics: national accounts, price, and/or government-finance statistics.

To ensure quality, the advisors will be guided ("backstopped") by IMF headquarters and will use short-term experts in the various areas the center will cover. The center will also support regional integration efforts, including through peer-to-peer events. Particular attention will be paid to the center's low-income members and countries with IMF-supported programs. TA needs on emerging issues will continue to be led by IMF headquarters, with follow up by CCAMTAC.

Close collaboration with development partners and other providers of CD will help make CCAMTAC CD support more effective and sustainable. Strong collaboration will reinforce synergies, help avoid duplication, and align stakeholders to the same goals. The center's work will be based on results-based management to ensure strong project monitoring and implementation and guide the allocation of resources. Strategic and topical logical frameworks are presented in this program document and will be detailed for each project before the start of Phase I, in collaboration with member countries.

CCAMTAC work will also be guided by a steering committee (SC) comprised of representatives from the IMF, member countries, and external partners. The SC will provide strategic guidance and priorities, endorse the annual work plan and budget, and review annual reports.

The Phase I budget envelope for CCAMTAC is estimated at US$45 million. The externally-financed portion of the budget—about US$42 million—will be financed by the host country—Kazakhstan, CCAMTAC member countries, and external partners. CCAMTAC member countries have been asked to provide a contribution in the range of US$0.5-2.0 million for this Phase. The IMF's direct contribution will be about US$3 million.

The program document lays out the context, vision and purpose of CCAMTAC (Section I), the key challenges and priorities for the center (Section II), the envisaged CD program (Section III), integration of CCAMTAC with other IMF activities and the work of the CD providers, along with measuring the center's success (Section IV), and governance, operations, visibility, financial arrangements, and risks (Section V).

The program document reflects information and estimates as of February 2020, before the CCAM region was affected by the COVID-19 pandemic and the sharp decline of oil prices. For updated macroeconomic and statistical data, please refer to country, regional, and global publications and information at IMF.ORG. The pandemic and associated socio-economic implications make the case for enhanced engagement and CCAMTAC all the more critical.

ACRONYMS AND ABBREVIATIONS

AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
APD	Asian and Pacific Department (IMF)
CCAM	Caucasus, Central Asia, and Mongolia
CD	Capacity Development
CEF	Common Evaluation Framework
Center	CCAMTAC
CPI	Consumer Price Index
EBRD	European Bank for Reconstruction and Development
ER	Exchange Rate
ESS	External Sector Statistics
EU	European Union
FAD	Fiscal Affairs Department (IMF)
FMI	Financial Market Infrastructure
FPAS	Forecasting and Policy Analysis System
FPW	Field Person Weeks
FSR	Financial Sector Supervision and Regulation
FTE	Full-Time Equivalent
FX	Foreign Exchange
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GFSM 2014	Government Finance Statistics Manual 2014
ICD	Institute for Capacity Development (IMF)
IFI	International Financial Institution
IMF	International Monetary Fund
IT	Information Technology
JVI	Joint Vienna Institute
LEG	Legal Department (IMF)
LoU	Letter of Understanding
LTX	Long-Term Expert
MCD	Middle East and Central Asia Department (IMF)

MCM	Monetary and Capital Markets Department (IMF)
MFA	Macroeconomic and Fiscal Analysis
MONOPS	Monetary Policy Operations
MPC	Monetary Policy Committee
NAS	National Account Statistics
NPS	National Payment System
NSO	National Statistics Office
PFM	Public Financial Management
PFMI	CPSS/IOSCO Principles for Financial Market Infrastructures
PPI	Producer Price Index
PSDS	Public Sector Debt Statistics
QPM	Quarterly Projection Model
RA	Resident Advisor
RBM	Results Based Management
RCDC	Regional Capacity Development Center
RMTF	Revenue Mobilization Thematic Fund
RPPI	Residential Property Price Index
RSS	Real Sector Statistics
RTAC	Regional Technical Assistance Center
SC	Steering Committee
SDGs	Sustainable Development Goals
SECO	Swiss State Secretariat for Economic Affairs
SNA	System of National Accounts (2008)
STA	Statistics Department (IMF)
STI	Singapore Training Institute
STX	Short-Term Expert
TA	Technical Assistance
TADAT	Tax Administration Diagnostic Assessment Tool
TSA	Treasury Single Account
UNDP	United Nations Development Program
VAT	Value Added Tax

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SECTION I

OVERVIEW–THE VISION AND PURPOSE OF CCAMTAC[1]

[1] The CCAM Regional CD Center is referred to as CCAMTAC (CCAM Technical Assistance Center) to be consistent with IMF terminology for other regional CD centers that focus on TA, peer learning, and regional events.

OVERVIEW—THE VISION AND PURPOSE OF CCAMTAC

The nine countries of the Caucasus, Central Asia, and Mongolia (CCAM) have made major progress in building institutions and policy frameworks, but face continuing challenges, especially vulnerability to external shocks.[2] These countries comprise an important location between Europe, East Asia, and the Middle East, with nearly 100 million people and a diversity of low-income, transition, emerging-market and resource-rich economies. They have benefitted from past IMF policy advice, financial support, technical assistance (TA) and training and have made important progress in building macroeconomic policy institutions and policy frameworks, including capable ministries of finance and economy, central banks, and national statistics offices. At the same time, the nine countries face wide-ranging challenges to support sustainable and inclusive growth. These include continuing to strengthen fiscal and monetary policy frameworks and institutions—especially to enhance analytical capacity, decision-making, and communications; repair and deepen financial sectors and extend financial inclusion; and, improve transparency, provision of data and other information, and governance.

IMF engagement with CCAM countries has been strong, dating back to Fund membership in the early 1990s, and deepening in the past several years. Enhanced engagement has come in the wake of external shocks that affected the region in 2014–16 and with the change macroeconomic policies in Uzbekistan. IMF TA increased from the equivalent of 8.8 person-years (FTEs), on average, during 2009–17 to 13.5 FTEs in 2018 and 15.5 FTEs in 2019, with the pickup particularly strong in program and near-program countries (Armenia, Georgia, Kyrgyz Republic, Mongolia, and Tajikistan), and in Uzbekistan. Engagement has also strengthened in Azerbaijan and Kazakhstan. Past effectiveness of IMF TA has been good, and in many cases, excellent. TA engagement has led to improved policy implementation and outcomes. Examples include more effective tax revenue administration, budget practices, treasuries, monetary and exchange operations, and provision of economic information and data.

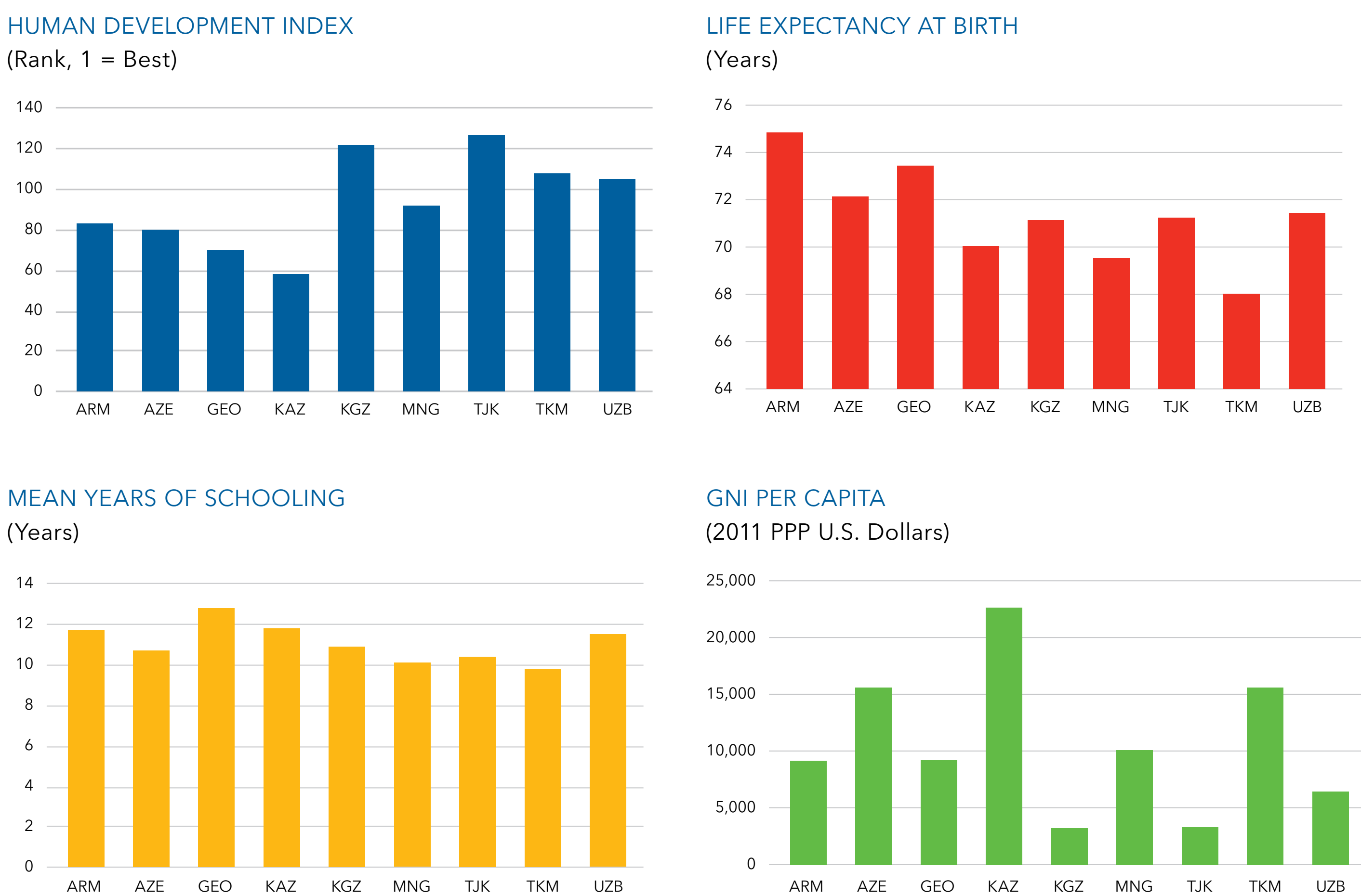
At the same time, there are important needs and priorities in all IMF core TA areas. Priorities for the CCAM finance ministries include improved public financial management (PFM) and revenue administration to support growth-friendly fiscal consolidation and sustainability and strengthen credibility and outcomes. Strengthening revenue administration and PFM will also help address governance vulnerabilities. Priorities for central banks include further improved frameworks for monetary and exchange rate (ER) policies and operations—analysis, tools, instruments, communications—to help keep inflation low and stable. Banks and other financial institutions across the CCAM region need enhanced regulation, supervision, governance, and management, so that they function fully as drivers of sustainable, inclusive growth. Also, financial sector development and inclusion have lagged other regions worldwide, while CCAM central banks need to manage effectively the emergence of fintech and crypto-assets. Finally, TA is needed in macroeconomic statistics to make further improvements in real, fiscal, external, and financial sector data and information to support policy making and transparency.

[2] Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan and Uzbekistan.

An IMF regional TA center—CCAMTAC—will offer substantial additional benefits to CCAM countries, including increased Fund TA resources, engagement, traction, and peer-to-peer learning. As has been demonstrated by the IMF regional CD centers (RCDCs) in other regions (Africa, Asia, Caribbean, Central America, Middle East), a sustained field presence through a regional center is particularly important, given the complexity of reform implementation. More in-depth engagement and knowledge of country and regional experience and specifics, along with continuous implementation support, will enhance TA effectiveness. A regional center focused on TA will complement TA on strategic and emerging issues from IMF headquarters (HQ) and classroom-focused training at the Fund's Joint Vienna (JVI) and Singapore Training (STI) Institutes. It will also deepen synergies of TA with IMF surveillance and program work. The center will facilitate regional and bilateral workshops and seminars to achieve greater peer-to-peer exchange and learning.

CCAMTAC will support the achievement of core sustainable development goals (SDGs) in its member countries. The center will be a collaborative venture among the IMF, CCAM member countries, and development partners. It will assist member countries in their efforts to build strong institutions and capacity design and implement sound policies. Its activities will focus on CD in the IMF's core areas of expertise, including macroeconomic and financial policies; macro frameworks, analysis, and communications; public financial management and revenue administration; monetary policy and operations; financial sector regulation and supervision; and government finance, real sector, and external sector statistics. CCAMTAC will help ensure that CD activities are well integrated with IMF surveillance and lending operations to optimize their

FIGURE 1. ECONOMIC AND SOCIAL DEVELOPMENTS IN THE CCAM



Source: United Nations Development Programme.

Note: Data as of 2018 or latest available.

impact. The IMF is one of the few organizations that delivers CD services in-house (i.e., not through engaging external contractors) and stands by these services, including by exercising rigorous quality control.

Common themes among social and economic development challenges across CCAM member countries underscore synergies from a regional approach to capacity building. Common challenges include promoting sustainable growth and reducing poverty, while dealing with volatility and frequent external shocks, which affect the fiscal, monetary, ER, and financial sector areas (Figure 1). For example, CCAM countries need to ensure sound fiscal policies—especially sustainable non-commodity fiscal balances and healthy buffers, while promoting non-distortionary revenue collections, effective spending, transparency, and improved governance.

CCAMTAC will deliver well-targeted, efficient, and responsive CD services to the region. IMF experience in the 16 regional centers already in operation worldwide has shown that a regional approach to CD delivery, integrated with and complementary to HQ-based CD and combined with member-country involvement in center governance and funding, fosters ownership, while simultaneously providing a tailored approach to local needs and absorptive capacity. It also allows for quick response to emerging needs and close follow-up on implementation. A center in the CCAM region will also facilitate regional, peer-to-peer exchanges, foster development of cross-country networks of member country officials, and promote closer coordination with development partners.

The center will be coordinated jointly among the IMF, CCAM member countries, and development partners, with strong engagement with other CD providers. The center will be financed by contributions from the IMF, CCAM member countries, and development partners. Close collaboration on the ground will take place through the center's coordinator and resident advisors, as well as through its steering committee. This will facilitate coordinated design, implementation, and monitoring of CD programs while minimizing overlap or duplication. Strategic TA advice and quality control by IMF HQ—"backstopping"—will guide the center's advisors and help with implementation support. Other CD providers include the World Bank, Asian Development Bank, EBRD, the European Union, and UNDP, as well as the German, Japanese, Korean, Netherlands, Polish, Russian, Swiss, and U.S. authorities (see Annex IV.).

CCAMTAC will be managed by a center coordinator—an experienced IMF staff member—and guided by a steering committee (SC). The coordinator will oversee day-to-day operations of the center and help set its strategy, in consultation with member countries, the IMF Middle East and Central Asia (MCD) and Asia Pacific Departments (APD), IMF CD-delivery departments, and external partners. The coordinator will lead preparation of annual work plans for endorsement by the SC. The SC will be made up of representatives from member countries, external partners, and the IMF. The SC will ensure that the center's work plans reflect the needs of the region and are well coordinated with the activities of IMF HQ and other CD providers.

CCAMTAC CD will be delivered by resident advisors (LTXs) and short-term experts (STXs), backstopped by IMF HQ staff to ensure quality and consistency with guidance from IMF HQ-based diagnostic missions. CCAMTAC's work plan will be integrated within the IMF's overall engagement, reform, and CD strategies. CCAMTAC's work plan will also include HQ-based diagnostic missions, with follow-up TA by IMF staff, LTXs and STXs. Resident advisors based in the center will travel to all countries, developing close relations with country authorities. The work of resident advisors will be extended by STX, contracted for specific TA engagements in their field of expertise. All CD activities will be supported by IMF HQ in a process of "backstopping," involving agreement on the workplan and TA activities, alignment with IMF surveillance and program activities, consistency with IMF policy and technical guidance, and supervision and quality assurance for specific TA engagements (missions, workshops, reports). Backstopping is undertaken by a designated CD department staff member at Fund HQ ("backstopper"). The TA delivery modalities will generally vary across projects, depending on the specific project and country needs.

SECTION II

HELPING ADDRESS THE REGION'S CHALLENGES

SECTION II

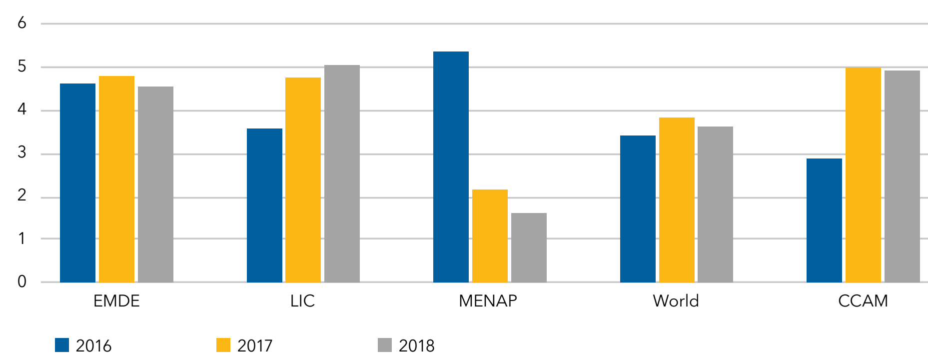
A KEY MACROECONOMIC CHALLENGES

In recent years, growth in CCAM countries has been broadly in line with other developing economies, but lower than CCAM growth in the previous decade and also highly volatile due to external shocks. In most CCAM countries, average growth in the past decade was well below average growth rates in the previous decade. Growth in the region has been lower since 2016 due to a sharp downturn of global oil prices and lower remittances from Russia. While most CCAM countries recovered in 2017–19, some have continued to experience growth rates below the recent EM/LIDC average (Figure 2, Table 1).

A key challenge is to make growth in the CCAM region more diversified, regionally-integrated, inclusive, and sustainable. Progress was made to reduce poverty from the late-1990s until the global financial crisis in 2008–09. Since then, poverty rates have not improved, and for oil importers, they remain elevated. CCAM economies generally rely on just a few sources of growth, notably commodities and remittances. Greater regional and global integration is needed, along with policies to make growth more inclusive.[3] Fiscal policy can facilitate inclusive growth by prioritizing investment in people and infrastructure; increasing access to financial services will also help make growth more inclusive. Improving governance, the business climate, and transparency—including provision statistics—will help lift domestic and foreign private investment and productivity.[4] TA is needed to support policy frameworks and institutions in these areas.

REAL GDP GROWTH

(Percent)

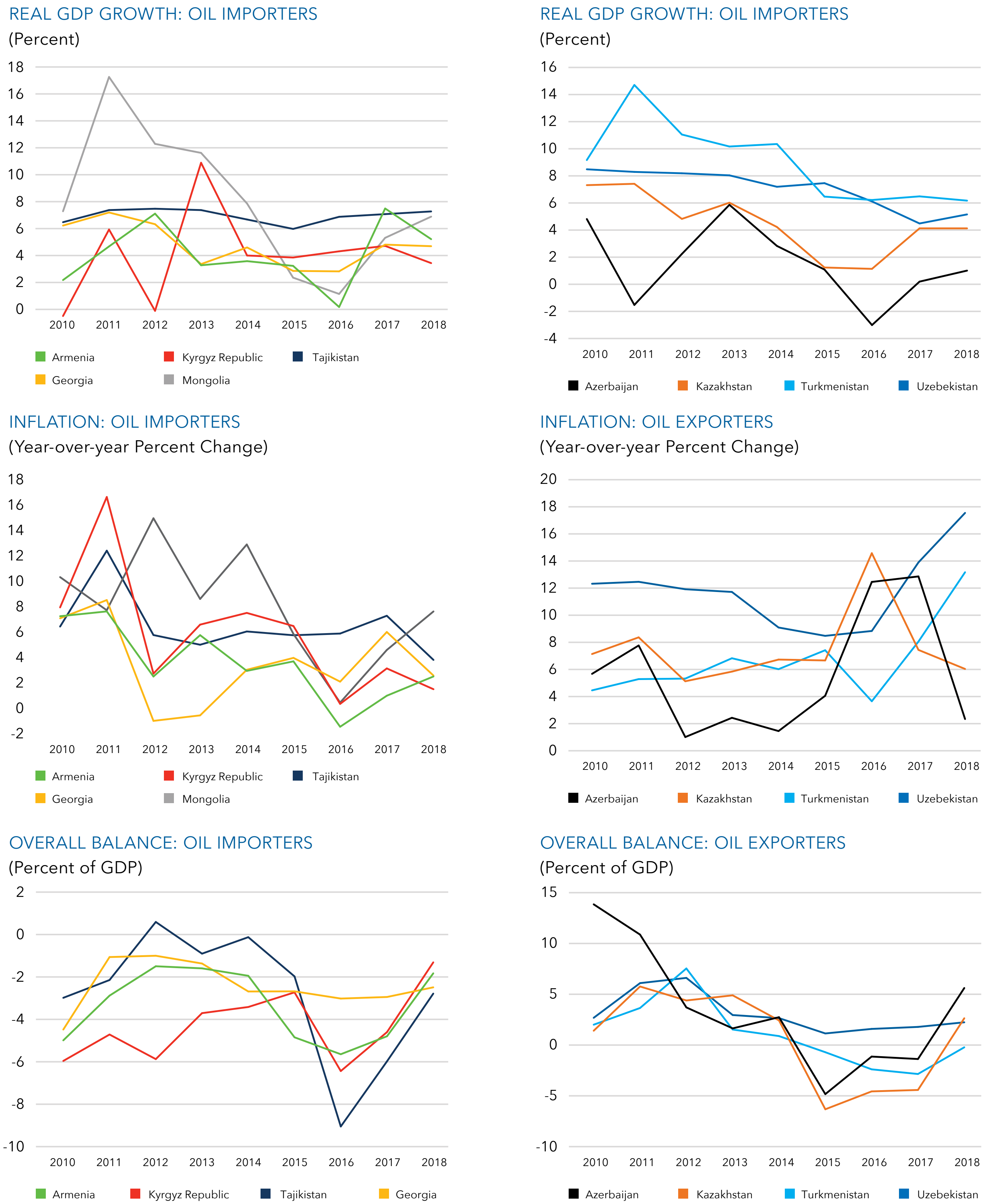


While progress has been made in reducing inflation, further efforts are needed to strengthen monetary and exchange policy frameworks and operations. Between 2011–19, the level and volatility of inflation have declined across the region as capacity, policymaking, and operations have improved. Inflation remains elevated in some CCAM countries—Mongolia, Turkmenistan, and Uzbekistan, and greater clarity and capacity is needed in all countries on monetary and ER policies, instruments, and operations. The movement to flexible ERs and bolstering effective central bank communications remain continuing

[3] See "Opening Up in the Caucasus and Central Asia: Policy Frameworks to Support Regional and Global Integration," IMF Middle East and Central Asia Department Paper No. 18/07, 2018.

[4] See, for example, "Promoting Inclusive Growth in the Caucasus and Central Asia," IMF Middle East and Central Asia Department Paper No. 19/09, 2019.

FIGURE 2. KEY MACROECONOMIC INDICATORS, 2010–18



Sources: IMF *World Economic Outlook* and IMF staff estimates.

Note: Overall Balance charts exclude Mongolia because of lack of data availability.

TABLE 1. CCAM SELECTED ECONOMIC INDICATORS

	Average 2000-2010	2011	2012	2013	2014	2015	2016	2017	2018	Projections			
										2019	2020	2021	2022
Real GDP Growth	8.4	7.9	6.6	7.4	5.7	3.8	2.9	5.0	4.9	4.9	4.5	4.5	4.6
(Percent Change)													
Armenia	8.2	4.7	7.1	3.3	3.6	3.3	0.2	7.5	5.2	6.0	4.8	4.5	4.5
Azerbaijan	14.0	-1.6	2.2	5.8	2.8	1.0	-3.1	0.2	1.0	2.7	2.1	2.1	2.2
Georgia	6.0	7.2	6.4	3.4	4.6	2.9	2.8	4.8	4.7	4.6	4.8	5.0	5.2
Kazakhstan	8.5	7.4	4.8	6.0	4.2	1.2	1.1	4.1	4.1	3.8	3.9	3.7	3.3
Kyrgyz Republic	4.2	6.0	-0.1	10.9	4.0	3.9	4.3	4.7	3.5	3.8	3.4	3.8	4.6
Mongolia	5.8	17.3	12.3	11.6	7.9	2.4	1.2	5.3	6.9	6.5	5.4	5.1	5.6
Tajikistan	8.0	7.4	7.5	7.4	6.7	6.0	6.9	7.1	7.3	5.0	4.5	4.5	4.5
Turkmenistan	13.8	14.7	11.1	10.2	10.3	6.5	6.2	6.5	6.2	6.3	6.0	5.8	5.9
Uzbekistan	6.7	8.3	8.2	8.0	7.2	7.4	6.1	4.5	5.1	5.5	6.0	6.0	6.0
Consumer Price Inflation	9.2	9.6	5.4	5.8	6.2	5.8	5.2	7.2	6.4	6.7	6.9	5.8	5.3
(Percent Change)													
Armenia	3.9	7.7	2.5	5.8	3.0	3.7	-1.4	1.0	2.5	1.7	2.5	3.3	4.0
Azerbaijan	7.0	7.8	1.0	2.4	1.4	4.0	12.4	12.8	2.3	2.8	3.0	3.2	3.3
Georgia	6.4	8.5	-0.9	-0.5	3.1	4.0	2.1	6.0	2.6	4.2	3.8	3.0	3.0
Kazakhstan	9.0	8.4	5.1	5.8	6.7	6.7	14.6	7.4	6.0	5.3	5.2	4.6	4.5
Kyrgyz Republic	8.7	16.6	2.8	6.6	7.5	6.5	0.4	3.2	1.5	1.3	5.0	5.0	5.0
Mongolia	9.2	7.7	15.0	8.6	12.9	5.9	0.5	4.6	7.6	9.0	8.3	7.5	7.0
Tajikistan	15.5	12.4	5.8	5.0	6.1	5.8	5.9	7.3	3.8	7.4	7.1	6.7	6.5
Turkmenistan	7.4	5.3	5.3	6.8	6.0	7.4	3.6	8.0	13.2	13.4	13.0	8.0	6.0
Uzbekistan	15.6	12.4	11.9	11.7	9.1	8.5	8.8	13.9	17.5	14.7	14.1	10.6	8.6
General Gov. Overall Fiscal Balance	0.1	0.6	0.5	0.8	-0.3	-4.2	-3.9	-4.4	-0.3	-0.8	-1.4	-1.4	-1.3
(Percent of GDP)													
Armenia	-3.5	-2.9	-1.5	-1.6	-1.9	-4.8	-5.6	-4.8	-1.8	-1.5	-2.2	-1.9	-1.9
Azerbaijan	7.9	10.9	3.7	1.6	2.7	-4.8	-1.1	-1.4	5.6	5.3	3.2	2.6	2.0
Georgia	-2.1	-1.1	-1.0	-1.4	-2.7	-2.7	-3.0	-2.9	-2.5	-2.6	-2.7	-2.8	-2.9
Kazakhstan	2.6	5.8	4.4	4.9	2.4	-6.3	-4.5	-4.4	2.6	0.3	0.0	0.0	-0.1
Kyrgyz Republic	-3.8	-4.7	-5.9	-3.7	-3.4	-2.7	-6.4	-4.6	-1.3	-2.7	-3.0	-3.0	-3.0
Mongolia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tajikistan	-3.2	-2.1	0.6	-0.9	-0.1	-2.0	-9.0	-6.0	-2.8	-4.0	-3.0	-3.0	-3.0
Turkmenistan	4.5	3.6	7.5	1.5	0.9	-0.7	-2.4	-2.8	-0.2	-0.1	-0.3	-0.6	-0.7
Uzbekistan	-0.8	6.1	6.6	3.0	2.7	1.1	1.6	1.8	2.2	0.6	0.4	0.3	0.1
Current Account Balance	-2.6	-3.2	-5.7	-5.6	-4.2	-6.6	-7.4	-3.6	-4.0	-4.7	-4.4	-4.5	-4.5
(Percent of GDP)													
Armenia	-8.9	-10.4	-10.0	-7.3	-7.6	-2.6	-2.3	-2.4	-9.4	-7.4	-7.4	-7.0	-6.5
Azerbaijan	5.2	26.0	21.4	16.6	13.9	-0.4	-3.6	4.1	12.9	9.7	10.0	7.6	6.8
Georgia	-11.3	-12.8	-11.9	-5.9	-10.8	-12.6	-13.1	-8.8	-7.7	-5.9	-5.8	-5.7	-5.6
Kazakhstan	-1.7	5.3	1.1	0.8	2.8	-3.3	-5.9	-3.1	0.0	-1.2	-1.5	-1.8	-1.9
Kyrgyz Republic	-1.4	-7.7	-15.5	-13.9	-17.0	-15.9	-11.6	-6.2	-8.7	-10.0	-8.3	-7.6	-7.3
Mongolia	-4.0	-26.5	-27.4	-25.4	-11.3	-4.0	-6.3	-10.1	-17.0	-14.4	-12.4	-11.3	-9.5
Tajikistan	-10.4	-6.3	-9.0	-10.4	-3.4	-6.1	-4.2	2.2	-5.0	-5.8	-5.8	-5.7	-5.6
Turkmenistan	3.9	-0.8	-0.9	-7.3	-6.1	-15.6	-20.2	-10.3	5.7	-0.6	-3.0	-4.7	-6.0
Uzbekistan	4.9	4.8	1.0	2.4	1.4	0.6	0.4	2.5	-7.1	-6.5	-5.6	-4.8	-4.4

Sources: IMF *World Economic Outlook,* national authorities, and IMF staff estimates.

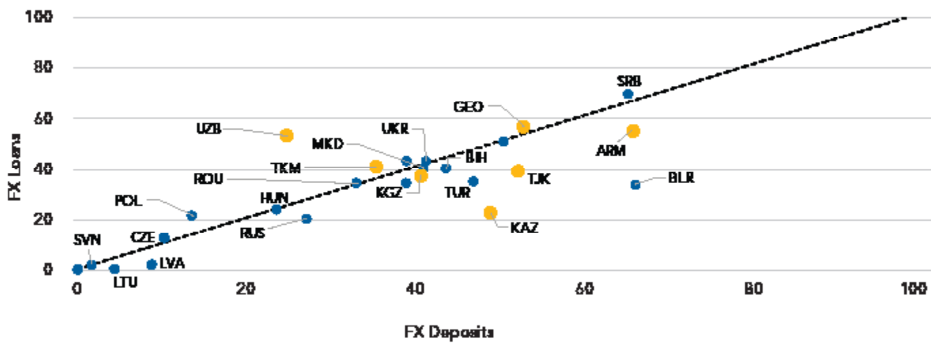
challenges. Sustaining improvements in monetary frameworks will require further development of monetary policy toolkits and improved transmission, enhanced analytics and communications, and a continued commitment to ER flexibility, including to address the challenges posed by high dollarization.[5]

High dollarization and insufficiently-strong governance in commercial banks are holding back CCAM financial sectors. CCAM economies remain highly dollarized, and shortcomings in financial sector regulation, supervision, and governance have contributed to the prevalence of connected lending and weak asset quality in banks. These gaps were exposed by the 2016 external shock and subsequent ER adjustments, leading to a contraction in credit and high non-performing loans, and undermining depositor confidence. In some cases, public interventions in troubled banks have taken place, and CCAM financial sectors have been unable to play their proper role in channeling savings and support growth and job creation. While several CCAM countries have implemented reforms to strengthen regulation and supervision, more is needed.[6] Financial sector development, deepening, and inclusion are also important objectives.

Improvements in macroeconomic analysis and forecasting ("macro frameworks") and communications of policy objectives, actions, and results are needed. CCAM countries have made some progress over the past two decades to improve macroeconomic forecasting and analytical capacity in ministries of finance and economy

DEPOSIT AND LOAN DOLLARIZATION

(Percent of total)



Source: National authorities and IMF staff estimates.
Note: Data from Dec. 2018 or latest available.

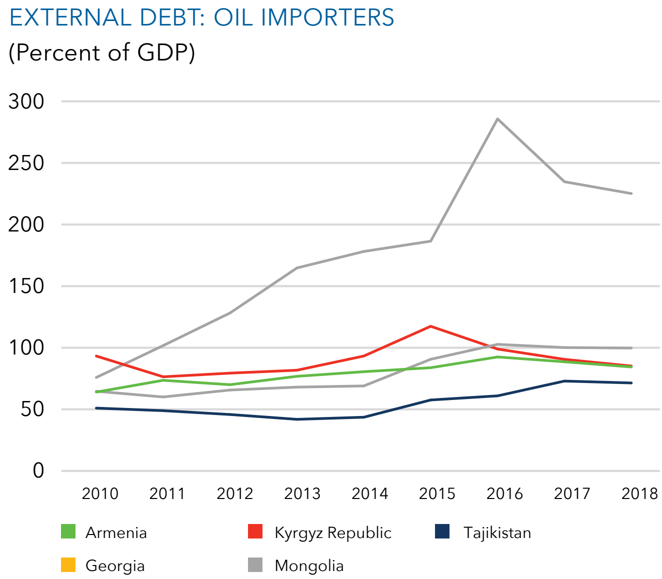
and central banks. Further gains are needed to improve capacity, analytical tools, and institutional practices to support more credible forecasts and analysis, including over longer-time horizons, and more coherent and forward-looking policymaking and scenario and shock analysis.

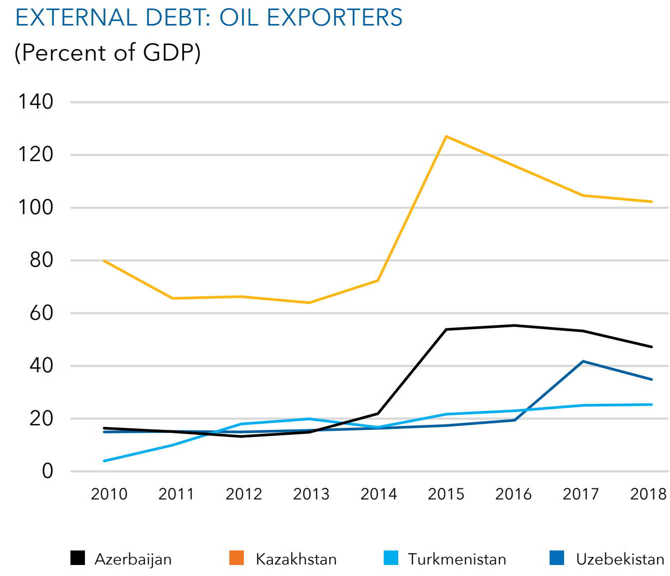
Fiscal vulnerabilities in CCAM countries are high, and buffers have been eroded in recent years. Oil-exporting CCAM countries are vulnerable to price movements, and oil-importers are dependent on remittances, mostly from Russia, a major hydrocarbon exporter. Oil price shocks in 2015-16 led to widening of fiscal and external deficits across the region, and public debt levels rose (Figure 3). There is now limited fiscal space to manage future shocks. Rebuilding buffers will require growth-friendly fiscal consolidation—improvements in revenue collections and spending prioritization and efficiency—while limiting adverse impacts on business environments and protecting and increasing high-priority capital and social spending. A strengthening of fiscal institutions and macro-fiscal frameworks will be critical to support better analysis, planning, and targeting of expenditures, risk identification and management, and communication of objectives and policies.[7]

Further progress is also needed to strengthen statistics to support policymaking and improve transparency and governance. Gains have been made to enhance methodology and compilation of statistics; nearly all CCAM countries adhere to IMF standards for data dissemination. These standards aim to enhance the availability of timely and comprehensive statistics, prepared according to rigorous practices, and thereby contributing to sound policies and efficient functioning of financial markets. However, further progress is needed in aspects of national accounts and price statistics, government finance and public debt statistics, external sector statistics, and monetary and financial statistics and indicators.

[5] See "Exchange Rate Developments and Policies in the Caucasus and Central Asia," IMF Middle East and Central Asia Department Paper No. 10/01, 2016.
[6] See "Building Resilient Banking Sectors in the Caucasus and Central Asia," IMF Middle East and Central Asia Department Paper No. 18/08, 2018.
[7] See "A Growth-Friendly Path for Building Fiscal Buffers in the Caucasus and Central Asia," IMF Middle East and Central Asia Department Paper No. 18/06, 2018.

FIGURE 3. EXTERNAL DEBT, 2010-18





Sources: IMF *World Economic Outlook* and IMF staff estimates.

SECTION II

B MAIN POLICY PRIORITIES[8]

The overarching policy priority of CCAM countries is to improve living standards by achieving higher and more inclusive growth in a sustainable manner. Regional economies have largely recovered from the 2014–16 shock benefiting from strengthened macroeconomic policy frameworks. While growth has resumed, it is not sufficient to raise living standards to the current levels of Emerging Europe.[9] To boost resilience and ensure higher and sustained inclusive growth, CCAM countries need to strengthen medium-term fiscal frameworks and fiscal institutions to support fiscal sustainability, complete transitions to modern monetary policy frameworks, and address weaknesses in banking systems to support financial stability. CCAM countries also need to remove structural rigidities and improve transparency and governance.

Maintaining fiscal sustainability will require stronger fiscal frameworks and institutions to support sustainable fiscal consolidation. CCAM countries need to improve public financial management (PFM) frameworks—including macro-fiscal frameworks—strengthening fiscal analysis and planning, budgeting, communication, execution and reporting. Developing stronger and more transparent macroeconomic and fiscal frameworks will support accountability and debt sustainability and help persuade the public and financial markets to support reforms. CCAM countries face a double challenge: addressing increased debt vulnerabilities, while building fiscal space to close infrastructure and social spending gaps. Medium-term consolidation should come from a balanced mix of revenue mobilization and expenditure rationalization. On the revenue side, CCAM countries need to expand tax bases and adjust tax rates, simplify tax systems, rationalize exemptions, and strengthen revenue administration. On the spending side, countries need to prioritize and allocate resources more effectively and efficiently, including protecting, and where possible increasing, capital and social spending. Strengthened debt management will help mitigate vulnerabilities. Fiscal risks—including from SOEs and PPPs—need to be managed and mitigated. Country capabilities and objectives are different, and needs are therefore varied across the region.

Modernization of frameworks of CCAM central banks for monetary and foreign exchange (FX) policy and operations should continue. Priorities include enhancing forecasting capabilities and instruments for effective monetary operations, modeling and analytics, decision-making, improving coordination with fiscal authorities, enhancing communication with stakeholders, and addressing data gaps. CCAM central banks also need to complete the transition to fully credible, rules-based FX operational frameworks, with ER flexibility and price stability as the main objectives. Policies to support deeper and more liquid domestic and FX markets will help improve financial intermediation and monetary transmission. These efforts will help better anchor inflation expectations.

[8] Policy priorities reflect both CCAM authorities' own priorities and staff recommendations. Priorities have been identified through annual Article IV consultations, reviews under Fund-supported programs, TA, and other forms of engagement between the IMF and member countries.

[9] See April 2019 Regional Economic Outlook Update: Middle East and Central Asia. Emerging Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Macedonia, Montenegro, Poland, Romania, Serbia, and Turkey.

Stronger macroeconomic frameworks and institutions for maintaining fiscal sustainability and modernization of monetary policy will require enhanced capacity and tools in macroeconomic forecasting and analysis. This will help link budget and monetary policies to clear, robust macro scenarios and thereby support better macroeconomic frameworks and strengthen engagement with stakeholders.

Stronger financial sector regulation and supervision are needed to enhance financial stability. While financial systems across the CCAM region are stable, they have vulnerabilities and development needs that must be addressed to support sustainable and inclusive growth. In some countries, asset quality is weak, owing in part to shortcomings in regulation, supervision and governance. In others, banks face liquidity challenges. Furthermore, reliance on FX-denominated funding exposes banking systems to ER risks and liquidity shocks. Across CCAM countries, regulatory and supervisory frameworks need to be strengthened, including by improving risk-based and consolidated supervision and credit risk valuation, and by implementing or strengthening macroprudential frameworks. Governance practices in CCAM banking sector should aim to put in place best international practices. Stronger resolution and crisis management frameworks are needed to facilitate the orderly resolution of nonviable banks. Stronger securities regulations and enhanced local-currency yield curves will help foster CCAM capital markets. Attention is also needed to emerging financial sector developments (e.g., fintech), and new markets and products. Once again, country capabilities and objectives are different, and needs are therefore varied across the region.

Better data and greater transparency will support evidence-based policymaking and private-sector development. While significant progress has been made to improve macroeconomic statistics, closing remaining gaps will help CCAM governments better design and implement policies, while giving development partners and private investors a clearer view of the economy, the outlook, policy actions, implementation progress, and outcomes. Most CCAM countries need to improve national accounts, price, and government finance statistics; others also need to improve external and monetary and financial statistics, as well as data dissemination practices.

SECTION II

C

CCAMTAC OBJECTIVES

CCAMTAC TA will help countries strengthen policy frameworks and support growth objectives. The center will assist member countries develop institutional and human capacity to design and implement policy strategies. Stronger frameworks will help countries build buffers and reduce vulnerabilities, which are critical to long-lasting and sustainable growth. TA, by helping improve policy track records, will also boost private investment and job creation.

The center's strategy and objectives span priority areas in macroeconomic, fiscal, monetary, ER, and financial sector policies, as well as statistical issues. The objectives have been identified in discussions with member countries, development partners, and other CD providers. These consultations indicated the following priority areas:

a. Macroeconomic forecasting and analytical capacity;
b. Public financial management, including macro-fiscal frameworks;
c. Revenue (tax and customs) administration;
d. Monetary and exchange rate policy, including central bank operations;
e. Financial sector regulation and supervision;
f. Macroeconomic statistics, including national accounts, price, external, and government finance statistics.

CCAMTAC TA in these areas will be supported by customized learning, regional seminars, workshops, and other peer-to-peer events. Complementary TA in other areas—notably, tax and expenditure policy and in legal issues—will be provided from IMF HQ.

CCAMTAC priority areas are fully aligned with the IMF's overarching CD strategy and areas of expertise (Table 2). Planned areas of engagement are also closely linked to the CCAM authorities' near-, medium-, and long-term objectives. CCAMTAC CD delivery will be carefully calibrated with other IMF multi-partner CD vehicles/trust funds, such as the Data for Decisions Fund (D4D), the Financial Sector Stability Fund (FSSF), the Revenue Mobilization Thematic Fund (RMTF), the Tax Administration Diagnostic Assessment Tool (TADAT), and the Public Expenditure and Financial Accountability (PEFA) program. By complementing TA provided through these vehicles, CCAMTAC will maximize its impact and avoid overlapping or duplicating efforts.

The objectives and indicators for CCAMTAC Phase I are summarized in the attached logical framework or "logframe" (see Annex I). In line with the IMF's Results Based Management (RBM) system, annual workplans under the first five-year phase of CCAMTAC will describe specific, measurable milestones of multi-year projects in dedicated logframes. The range of topics covered by the center will be adjusted as country needs evolve during Phase 1 and in subsequent phases. The main objectives of the proposed multi-year work program are:

- Macro Frameworks. Strengthening macroeconomic forecasting and analytical capacity along with supporting analytical tools will help CCAM countries improve macroeconomic and macro-fiscal forecasting ability, credibility, and policy analysis, as well as help identify and mitigate macroeconomic risks. It will also provide a sounder 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.

TABLE 2. CCAMTAC: PRIORITY TA AREAS, 2021-2025

	Panel A. Macroeconomic Frameworks					
Country	Macroeconomic Frameworks					
Armenia			H			
Azerbaijan			H			
Georgia			H			
Kazakhstan			H			
Kyrgyz Republic			H			
Mongolia			H			
Tajikistan			H			
Turkmenistan			H			
Uzbekistan			H			
	Panel B. Fiscal Policy					
		Macro-Fiscal	Public Financial Management	Revenue Administration	Other 1/	
Armenia		H	H	H		
Azerbaijan		H	H			
Georgia				H		
Kazakhstan		H	H	H		
Kyrgyz Republic		H	H	H		
Mongolia		H	H	H		
Tajikistan		H	H			
Turkmenistan		H	H			
Uzbekistan		H	H	H		
	Panel C. Monetary, Exchange Rate and Financial Sector Policy					
	Asset and Liability / Debt Management	Central Bank Operations	Financial Regulation and Supervision	Monetary and Exchange Rate Policies	Macro-Prudential Policy	Other 2/
Armenia				H		H
Azerbaijan		H	H			
Georgia	H	H	H		H	
Kazakhstan	H	H	H	H		H
Kyrgyz Republic	H		H	H		H
Mongolia	H	H	H	H	H	H
Tajikistan	H	H	H	H	H	
Turkmenistan		H		H		
Uzbekistan		H				

Priority	
High	H
Medium or Low	

1/ It includes ROSC, TA on other tax policies, and TA not currently listed in the Capacity Development Topic catalogue.

2/ It includes FSAP, TA on banking, external sector issues, research, policy, financial programming, and TA not currently listed in the Capacity Development Topic catalogue.

3/ TA on assessment/evaluation, inspection visit, management/supervision, technical assistance evaluation, and TA not currently listed in the Capacity Development Topic catalogue.

	Panel D. Statistics					
	BOP and External Sector	Data Dissemination	GFS	National Accounts	Price Statistics	Other 3/
Armenia				H	H	
Azerbaijan				H	H	
Georgia				H	H	
Kazakhstan			H	H		
Kyrgyz Republic	H			H		
Mongolia	H	H	H	H	H	H
Tajikistan		H	H	H		
Turkmenistan	H	H	H			H
Uzbekistan	H	H	H	H		

Priority	
High	H
Medium or Low	

- Public Financial Management. PFM activities will focus on strengthening medium-term fiscal frameworks (MTFF), 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. CD activities on expenditure policy will continue to be provided to CCAM countries from IMF HQ.
- Revenue Administration. Revenue administration activities will focus on supporting strategic planning; supporting 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. CD activities on tax policy will continue to be provided to CCAM countries from IMF HQ.
- Monetary and Financial Sector Policy. CD will focus on strengthening the capacity of CCAM central banks to implement monetary policy and conduct FX operations effectively, in order to achieve low and stable inflation and to foster financial sector stability, development, and inclusion. This will be supported by activities to develop and/or strengthen banking regulation and prudential norms, implement risk-based supervision (RBS) systems, and upgrading other supervisory processes.
- Macroeconomic Statistics. CD activities will aim at enhancing 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.

SECTION III

CAPACITY DEVELOPMENT PROGRAM

SECTION III

A MACROECONOMIC FRAMEWORKS FOR FINANCIAL PROGRAMMING, FORECASTING, AND POLICY ANALYSIS

CCAM countries have made efforts to strengthen their macroeconomic and macro-analytical tools. ICD, JVI, STI, STA and IMF area department teams worked closely with CCAM countries to support these efforts, putting in place robust and consistent near, medium-, and in some countries, long-term forecasting and analysis frameworks, as well as risk analysis, and shock and scenario analysis.

Additional work is nonetheless needed to further strengthen macroeconomic frameworks. The aim is (i) to help member countries build institutions to conduct more systematic macroeconomic forecasting and policy analysis and to understand the macro implications of various policies or possible exogenous and policy shocks for growth, fiscal, external, and other macro variables; and (ii) to help build "financial programming" frameworks for macroeconomic policymaking in a broad range of institutions, in order to build projections and scenarios of the main macro variables that are internally consistent and that allow the authorities to carefully consider and articulate the implications of different policies and risks. The goal is to build coherent narratives that structure discussions internally and externally and promote better policymaking. There are a variety of needs:

- Ensuring that staff across different institutions in governments and central banks share a common understanding and approach to macroeconomic forecasting and policy analysis.
- Developing more coherent, better-understood, and richer macro forecasting and policy frameworks to support implementation of fiscal frameworks and medium-term revenue strategies, or of improvements in central bank operations and strategy.
- Support robust interactions with external stakeholders at technical and policy levels.

Making progress on macroeconomic frameworks requires a customized approach. TA will be delivered in a country-specific and customized way, with close attention to the underlying economic background, the policy and institutional context, and existing capacity. TA on macro-frameworks delivered through CCAMTAC will complement other IMF TA as well as online and classroom training delivered at JVI and regional and bilateral workshops.

Meeting these needs will involve enhancing capacity in the relevant institutions, usually finance and economy ministries and/or central banks, in close coordination with APD, MCD and other IMF CD delivery departments.[10] Capacity-building efforts will include human capacity development, coordination and work planning, analysis and tools, and communications capacity and outputs. In some countries, the initial technical/modeling component will be relatively simple; in others it will be more complex.

CD in these areas will help strengthen policymaking institutions and underpin policy credibility and sustainability. CCAMTAC support is expected to contribute to: (i) more comprehensive and credible and policy analysis and forecasting frameworks; (ii) better integration of macroeconomic forecasts and policy analysis into the economic policy process; and (iii) improved transparency and policy credibility through better internal and external communications. Guidance and backstopping will be provided by ICD, in consultation with MCD and APD. The center will facilitate TA and regional workshops, working with JVI.

[10] As in other areas, CCAMTAC work will be undertaken in close coordination with other agencies providing CD services in the macroframework area, notably SECO, to seek out complementarities and avoid overlaps.

SECTION III

B FISCAL POLICY

REVENUE ADMINISTRATION

CCAM countries need to further improve their tax revenue performance.[11] Some countries have revenue bases that are heavily dependent on natural resources, and several experience high rates of informality and non-compliance. Two CCAM countries have tax-to-gross domestic product (GDP) ratios below 15 percent—a level associated with acceleration of growth and development. Four have revenue-to-GDP ratios below 20 percent.[12] For modernizing revenue administration, member countries need to address several challenges, including insufficiently-strong legal frameworks, gaps or shortcomings in tax legislation, inadequately-designed organizational and staffing arrangements, information systems in need of modernization and upgrade, outdated core administration processes, and a need to put in place comprehensive compliance-risk-management approaches.

An early priority will be to field IMF HQ-led diagnostic missions to update and extend the Fund's assessment of strengths and weaknesses of each CCAM revenue administration. Revenue reform priorities are already known and established in several CCAM countries; for others, an early diagnostic is needed. This will help identify priorities and design and agree medium-term revenue reform strategies and actions plans. CCAMTAC revenue administration advisors, with guidance and backstopping by the IMF FAD, will help implement these country-owned strategies. Where needed, complementary tax policy advice will be delivered by FAD via IMF-HQ-led missions.

CCAMTAC support is expected to contribute to the modernization and improvement of tax administration performance for member countries. Overarching reform priorities will include improved management and governance arrangements and core tax administration functions. Areas of particular modernization need are expected to include: (i) development of stronger organization structures and HQ functions; (ii) strengthened strategic and operational planning; (iii) improved basic management practices and use of performance monitoring methods; (iv) application of risk-based approaches to compliance management; and (v) improved and simplified core tax functions that ensure all taxpayers are registered and can be tracked, taxpayers file and pay their tax on time and report accurately, and taxpayer education and services are widely available.

For countries with current IMF CD programs in the revenue administration area, CCAMTAC support will be fully integrated with the ongoing CD. The CCAMTAC medium-term CD program will be overseen by FAD, which will backstop the work of CCAMTAC revenue administration advisors, including associated supporting visits by short-term experts. CCAMTAC will play an important role in following up on HQ mission advice with practical support for timely and successful implementation of advice. CCAMTAC advisors will also liaise with FAD's other resident revenue administration advisors deployed in the region under CD programs funded by FAD's Revenue Mobilization Thematic Fund (RMTF)—e.g., in Georgia, Mongolia, and Uzbekistan.

[11] The IMF's Fiscal Affairs Department (FAD) is currently closely engaged with several revenue administrations in the region, including in Armenia, Georgia, Kazakhstan, Mongolia, and Uzbekistan.

[12] In 2018, Turkmenistan's tax-to-GDP ratio was below 9 percent and Azerbaijan's was below 14 percent, while four other countries' ratios were below 20 percent. See IMF Working Paper WP/16/234: Tax Capacity and Growth: Is There a Tipping Point? Gaspar, Jaramillo, and Wingender (2016).

CCAMTAC will be well positioned to host training workshops and regional and peer-to-peer events to discuss effective revenue strategy, tax administration implementation challenges and approaches, and technical issues. Regional workshops under the CCAMTAC umbrella, as well as more general revenue administration courses, will support the development of a shared understanding of basic principles. Peer-to-peer learning will help countries acquire and implement good practices to make more and faster progress with essential reforms.

PUBLIC FINANCIAL MANAGEMENT (PFM)

CCAM countries have made substantial efforts to strengthen their PFM systems. FAD has been working closely with the CCAM countries to support these reform efforts, particularly in the areas of budget preparation and credibility, fiscal reporting and accounting, public investment management, and fiscal risk management and disclosure. IMF Fiscal Transparency Evaluations (FTEs) and Public Investment Management Assessments (PIMAs) have been carried out in three and four CCAM countries, respectively, accompanied by detailed reform action plans in these areas.[13]

Although good progress has been made, additional work is needed to further strengthen PFM frameworks, including macro-fiscal frameworks. Most countries lack credible medium-term fiscal and budget frameworks to guide policies and identify and manage fiscal risks. In several countries, coverage of fiscal data and reporting is not sufficiently comprehensive, and fiscal transparency practices are behind international good practices. Many CCAM countries are aiming to support development through scaled-up public investment—including in the context of the Belt-Road Initiative; they face challenges in ensuring public resources are utilized efficiently, effectively, and sustainably.

PFM and macro-fiscal reform objectives will focus on enhancing budget planning and credibility, strengthening fiscal transparency and accountability, improving analysis, planning, and better managing fiscal risks. Focus areas will include:

- Macro-fiscal capacity and budgeting: For several CCAM countries, priorities include strengthening the credibility of macro-fiscal frameworks, including macro-fiscal forecasting, designing and effectively implementing fiscal objectives and rules to support sustainability, improving the medium-term focus of fiscal policymaking, ensuring that the budget process is well integrated, unified and comprehensive, and enhancing the quality of budget and fiscal strategy documents. For all CCAM countries, efforts are needed to strengthen governance practices for infrastructure investment projects, including to ensure that projects are well designed and implemented effectively, including public-private partnerships (PPPs).
- Transparency and accountability: Strengthening internal controls, expanding the coverage of treasury single accounts, and improving cash and debt forecasting and management remain priorities in several CCAM countries, along with improving fiscal transparency, the alignment of fiscal reports with international standards, and the quality of information made available to the public on fiscal policy and budget execution. Completing accounting reforms designed to produce consolidated financial statements in line with international public sector accounting standards also remains a priority.
- Fiscal risks: Developing robust frameworks for monitoring, assessing, managing and disclosing fiscal risks—particularly from macroeconomic developments, as well as from sources such as state-owned enterprises and PPPs—is a priority for most CCAM countries. Improved fiscal risk management is particularly important for those CCAM countries that are vulnerable to large swings in commodity prices. While some CCAM countries have already taken steps to strengthen fiscal risk management, further support will be required to ensure effective implementation. In other countries, capacity building and institutional support is needed to help develop more robust frameworks for risk identification, analysis, and management and disclosure.

CD in these PFM areas will help strengthen core systems and underpin fiscal credibility and sustainability. CCAMTAC support to help underpin effective implementation of reforms to strengthen PFM institutions and practices is expected to contribute to: (i) more comprehensive, credible and policy-based budget preparation; (ii) improved budget execution and control; (iii) improved coverage and quality of fiscal reporting; (iv) improved cash and debt management; and (v) strengthened identification, monitoring, and management of fiscal risks. Progress will be assessed in the context of periodic PEFA assessments as well as, among others, occasional HQ-based fiscal transparency and PIMA assessments.

CCAMTAC will play an important role in peer learning and implementation of Fund HQ advice. The center will facilitate regional PFM workshops to demonstrate good international practices and provide opportunities for peer engagement. Under the direction of FAD, CCAMTAC will also provide practical support to help implement the recommendations of Fund HQ missions. CCAMTAC will collaborate and coordinate with other development partners to optimize CD and minimize duplication.

[13] FTEs have been performed in Armenia, Georgia and Uzbekistan. PIMAs have been carried out in Armenia, Georgia, the Kyrgyz Republic, and Mongolia.

SECTION III

C

MONETARY AND FINANCIAL SECTOR POLICY

Despite considerable progress to date, additional work is needed to support monetary and financial stability in CCAM countries. CCAM countries have made progress in modernizing monetary policy frameworks and operations and enhancing supervisory and regulatory capacity and processes. However, they need to continue efforts to strengthen monetary policy and operations and financial sector oversight, deepening, and development.

MONETARY POLICY AND FOREIGN EXCHANGE OPERATIONS

CCAMTAC will support further modernization of monetary policy frameworks and operations, with a focus on country-specific needs. CCAM countries have a range of monetary policy regimes in place—from managed ERs to inflation-targeting. Most are in the process of moving to more explicit inflation targeting, supported by enhanced ER flexibility. This requires central banks to have a clear legal mandate, operational independence, strong forecasting and policy analysis systems, and transparent and credible internal and external communications. Relatively-deep and effectively-functioning money markets are another important factor. The Fund has supported country efforts through TA from HQ, training, and regional peer-to-peer workshops on monetary and ER policies at the Joint Vienna Institute.

A key strategic objective for the Phase I work program of CCAMTAC will be to improve the effectiveness of monetary policy implementation. The development of an interest-rate- and inflation-focused operating environment requires central banks to rely on market-based instruments and to conduct clear and transparent FX intervention that focuses on mitigating short-term volatility. Efforts are also needed to reduce dollarization and promote long-term savings instruments.

FINANCIAL SECTOR REGULATION AND SUPERVISION

Strengthening financial regulation and operations is another strategic objective. In some CCAM countries, the condition of banks is weak, reflecting a range of factors, including shortcomings in the regulatory framework. Current regulations and the status of banking sectors and activities needs to be brought closer to international standards and best practices. This includes regulations and compliance with capital, liquidity, governance, related-party exposures, and asset classification. Strengthening the regulatory framework is especially important in countries where credit is growing rapidly, including in FX. Regional workshops will be an important element of the CCAMTAC program.

CCAM countries also face the challenge of implementing effective, risk-based supervision of financial institutions. They are moving from a compliance-based to a risk-based approach to bank supervision. This requires development of new, forward-looking risk assessment methods, and reskilling of staff, who need to become more proactive and investigative and more confident in exercising supervisory judgement. Stress testing methodologies and scenarios need improvement, and it will be important to review legal and enforcement powers to ensure appropriate and timely supervisory action.

Efforts are also needed to promote financial deepening and inclusion and to address issues like AML/CFT, fintech, and crypto-assets. This work is likely to involve close cooperation with IMF HQ—including with the Fund's Legal Department—as well as with other CD providers and stakeholders.

SECTION III

D MACROECONOMIC STATISTICS

The IMF Statistics Department (STA) has a successful track record of providing CD services to the CCAM region. This has helped CCAM countries improve coverage, collection, compilation, and dissemination of high-quality statistics, which have been supportive of sound decision-making, identification of vulnerabilities and risks, and enhancing transparency. All CCAM countries, except Turkmenistan, have adopted the Fund's international standards for data dissemination to improve data quality.[14] Still, further work is needed to refine methodologies; improve data coverage, collection, and compilation; address gaps and emerging issues; and improve transparency and data dissemination.

REAL SECTOR STATISTICS

Work will build on previous IMF CD to enhance the coverage, quality, range, timeliness, and accessibility of real sector statistics needed for decision-making. While capabilities across CCAM countries are varied, most already compile both annual and quarterly GDP in current prices and volume terms, semi-annual industrial production indices, and regular CPI and PPI measures. CCAM countries share common statistical development needs, including to update methodologies and data collection and classifications, expand coverage, and develop additional outputs, such as supply and use tables (SUT), sectoral accounts, and residential property price indices. National Statistics Offices (NSOs) need to enhance transparency, independence, release practices, and other user-focused aspects. CCAMTAC CD will focus on addressing impediments to timeliness and establishing revision policies that limit biases.

CD services will be calibrated to country needs and goals. For example, in Armenia and Georgia, the authorities' efforts are aligned with European statistical requirements, including use of Eurostat industry and product classifications. More broadly, priorities are:

- **National Accounts.** CD will update methodologies in line with the System of National Accounts 2008 to improve source data, compilation techniques, and release and revision practices to better serve user needs. CD will also focus on building staff capacity. Quarterly GDP series will be targeted in Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan. Efforts to reduce statistical discrepancies are needed in some countries. In Turkmenistan, improved transparency, dissemination, and user engagement will underpin TA activities.
- **Prices.** CD will help develop updated CPI measures in line with the forthcoming Consumer Price Index Manual 2020 and international best practices, while building staff capacity. Greater CPI product coverage is needed in Armenia, Tajikistan and Uzbekistan; enhanced CPI compilation techniques will be targeted in Kazakhstan, Tajikistan and Turkmenistan. Georgia and Kazakhstan will continue to be assisted in developing residential property price indexes (RPPIs). In all countries, expansion of PPI coverage to include more service activities will be targeted.

[14] See the Dissemination Standards Bulletin Board (DSBB).

GOVERNMENT FINANCE STATISTICS (GFS) AND PUBLIC SECTOR DEBT STATISTICS (PSDS)

CCAMTAC will aim to strengthen GFS and PSDS for analyzing, designing, and implementing fiscal policy. It will also aim to improve transparency and data quality. CCAMTAC will help strengthen traction and results with all member countries through more continuous and sustained engagement.

As in other areas, the work program for GFS-PSDS will be tailored to address country-specific needs. Efforts will be focused on compilation and dissemination of GFS aligned with the Government Finance Statistics Manual (GFSM) 2014. This will involve achieving consistency of GFS with other macroeconomic statistics by: (i) improving institutional integrity, data sources, accounting practices, and compilation methodology; (ii) broadening coverage; (iii) measuring consistent fiscal deficits ("above-the-line" and "below-the-line"); and (iv) incorporating balance-sheet elements. Work on compilation and dissemination of PSDS will involve improving institutional integrity to broaden institutional and transaction coverage of debt and contingent liabilities to include local governments, trust funds, decentralized agencies, and state-owned enterprises. This will also involve expanding compilation of transactions to include non-national definitions of public debt and financial assets to generate improved net public debt statistics.[15]

EXTERNAL SECTOR STATISTICS (ESS)[16]

CCAMTAC will support capacity building to improve the quality of ESS for evaluation of national, regional, and global developments, policy analysis, and decision making. Support will include expanding coverage, improving accuracy, reliability, and compilation methods, and enhancing timeliness of reporting and dissemination. It will be key to engage new data sources, document compilation practices, and undertake revision studies.

ESS assistance will be aligned to country data development levels. The main outcomes will be: (i) strengthening source data and assisting countries to tap new ESS data sources, including on the informal and digital economy, to address the gaps in coverage; (ii) building a solid basis for compiling and disseminating ESS in some countries; (iii) achieving continuous and sustained engagement through enhanced traction; (iv) promoting peer learning through cross-country experiences; (v) achieving consistency within ESS datasets, as well as with other datasets (e.g., national accounts, monetary and financial statistics, and government finance statistics); and (vi) enhancing staff capacity to compile ESS datasets in line with the latest methodologies. Assistance will build on the progress made under Swiss State Secretariat for Economic Affairs (SECO) and IMF-funded TA and will be customized to country needs.

[15] Azerbaijan, the Kyrgyz Republic and Tajikistan participate in a three-year GFS project funded by the Swiss State Secretariat for Economic Affairs (SECO). This project was extended as a recent SECO project assessment highlighted outstanding issues. The Kyrgyz authorities need to record loans to SOEs in line with GFSM2014. In Azerbaijan, there is a need to compile and disseminate longer time and high-frequency series to support surveillance, fiscal analysis, and policy making. The Tajikistan authorities should compile and disseminate annual general government GFS on a regular basis. All three should compile PSDS and submit them to the joint World Bank/IMF Quarterly Database. In Armenia and Georgia, CD effectiveness will be improved by closer follow-up engagement on implementation. The Kazakhstan authorities should extend implementation of the GFSM2014 framework, improve consistency of fiscal data, and regularly publish consolidated general government data and SOEs statistics. In Mongolia, the authorities plan to improve GFS and financial reporting by introducing accrual-based International Public Sector Accounting Standards (IPSAS) and developing GFSM 2014-based general government series. Turkmenistan and Uzbekistan will benefit from longer-term involvement and customization of CD.

[16] Although in Phase 1 CCAMTAC will not have an ESS LTX, it will fund ESS missions led by short-term experts. In case an increase in demand for ESS is observed, adding an ESS LTX will be considered.

SECTION IV

HOW THE CENTER WILL ACHIEVE ITS OBJECTIVES

SECTION IV

A INTEGRATION WITH OTHER IMF ACTIVITIES

IMF CD, regardless of financing source or delivery mode, is carefully coordinated and integrated with other IMF activities—lending and bilateral and regional surveillance. When developing country CD programs, MCD and APD country teams consult with CCAM authorities and integrate the IMF's own policy and surveillance perspectives with country reform needs and agendas, drawing on expertise of IMF CD departments (FAD, ICD, LEG, MCM, STA). Together, CCAM authorities, CCAMTAC, and IMF HQ staff will identify CD needs, set CD priorities, and balance short- and medium-term considerations, guided by CD department expertise for prioritization, sequencing, and delivery modes. This process provides checks and balances that ensure that CD remains highly relevant, while also considering national and regional developments and priorities. It also ensures demand-driven CD services. Annual "Regional Strategy Notes" (RSNs) are developed by IMF APD and MCD and shared with member countries and development partners. RSN's set out a medium-term CD vision to form the basis for coordinating and integrating IMF CD activities with Fund surveillance and lending. RSNs also ensure that CD delivered through CCAMTAC, Fund HQ, thematic funds, or bilateral projects is carefully coordinated. Open lines of communication, in part via CD departments backstopping CCAMTAC LTXs and STXs, ensure consistency, cross-fertilization, and operational relevance. For classroom-focused training of CCAM officials, IMF HQ and JVI are expected to remain the main providers, along with STI (Mongolia) and the China-IMF Capacity Development Center (CICDC).[17]

[17] The Fund currently has resident representative offices in 5 CCAM countries—Armenia, Georgia, Kyrgyz Republic, Mongolia, and Tajikistan, and locally-managed offices in Azerbaijan, Kazakhstan, Turkmenistan, and Uzbekistan.

SECTION IV

B INTEGRATION WITH OTHER CD PROVIDERS

CCAMTAC will provide a robust platform for implementing aid effectiveness principles outlined in high level forums (e.g., Paris, Accra, Busan) that call for efforts to harmonize, align, and manage aid for results. The IMF strives to enhance complementarities and synergies with other CD providers and avoid duplication. For the CCAM region, these include the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the Eurasian Development Bank, the Eurasian Fund for Stabilization and Development, UN agencies, and other multilateral and bilateral partners. CD activities will be coordinated through various channels, including bilateral and regional relationships of the center coordinator and advisors, the CCAMTAC steering committee, IMF resident representatives and locally-managed offices, and communications of IMF MCD and APD mission teams and IMF CD departments.

The center coordinator will be the focal point for liaison with CCAM authorities and bilateral and multilateral agencies in the field. CCAMTAC advisors will also support coordination, as they are expected to have close contact with country authorities and development partners in their areas of expertise. The coordinator will:

- Communicate to partners the IMF's overall and regional medium-term CD strategy and how it impacts CCAM countries.
- Circulate CCAMTAC TA reports to the steering committee (SC), and upon request, to other stakeholders if the CCAM recipient country consents and if the recipient has signed a confidentiality agreement.
- Encourage CCAM authorities to publish TA reports to provide stakeholders with information needed to coordinate effectively with CCAMTAC CD.[18]
- Launch a CCAMTAC website with contact and work program information.
- Provide development-partner briefings and information on missions, including through CCAM-country IMF resident representatives and locally-managed offices. CCAMTAC missions will also seek to systematically brief partners and other key stakeholders in the field.
- Publish regular newsletters and annual reports on work completed and results achieved.

[18] Consent of the TA recipient country will be given on a no-objection basis, in line with the IMF's overall dissemination policy.

SECTION IV

C

MEASURING THE CENTER'S SUCCESS–RESULTS BASED MANAGEMENT FRAMEWORK (RBM)

The IMF uses an RBM framework to guide design, implementation, monitoring, and assessment of results of CD interventions. RBM is a systematic approach that tracks progress toward the achievement of Fund CD objectives and activities in an integrated manner. RBM generates performance information for reporting and accountability, while allowing practitioners to learn from past efforts and to adapt future efforts accordingly (Box 1).

SECTION IV

D EVALUATION OF IMF CD

The IMF relies on a well-developed and robust monitoring-and-evaluation program to ensure that its CD services meet member country needs. Regular evaluation is a crucial component of a sound overall CD strategy helping foster learning from past experience, efficient and effective use of resources, and strong accountability. To enhance the IMF's monitoring and evaluation framework, including incorporating feedback from evaluation results into the prioritization and delivery of CD, the IMF has in place a common approach to evaluation that distills lessons and incorporates thorough, independent external assessments.

The IMF adopted a new common evaluation framework (CEF) for CD in 2016.[19] One CEF objective is to produce comparable evaluations by ensuring clarity and consistency in definitions and applying internationally-accepted OECD-DAC evaluation criteria. A common, comparable core for all project-based IMF CD evaluations, regardless of delivery vehicle, is to evaluate performance of a CD project or program—typically defined at the country level—by posing the following questions for each project objectives: (i) Was the objective relevant?, and (ii) Did the project achieve the objective? (a) Effectively? (b) With impact? (c) Efficiently? (d) Sustainably? Use of this common approach provides cross-activity and cross-IMF comparability, permits aggregation, and enables an overall assessment of performance. The CEF allows flexibility to adapt specific evaluations to the wide range of IMF CD activities, for example, by separately including some entity-level questions on processes and governance of RCDCs, which are not subject to application of DAC criteria.

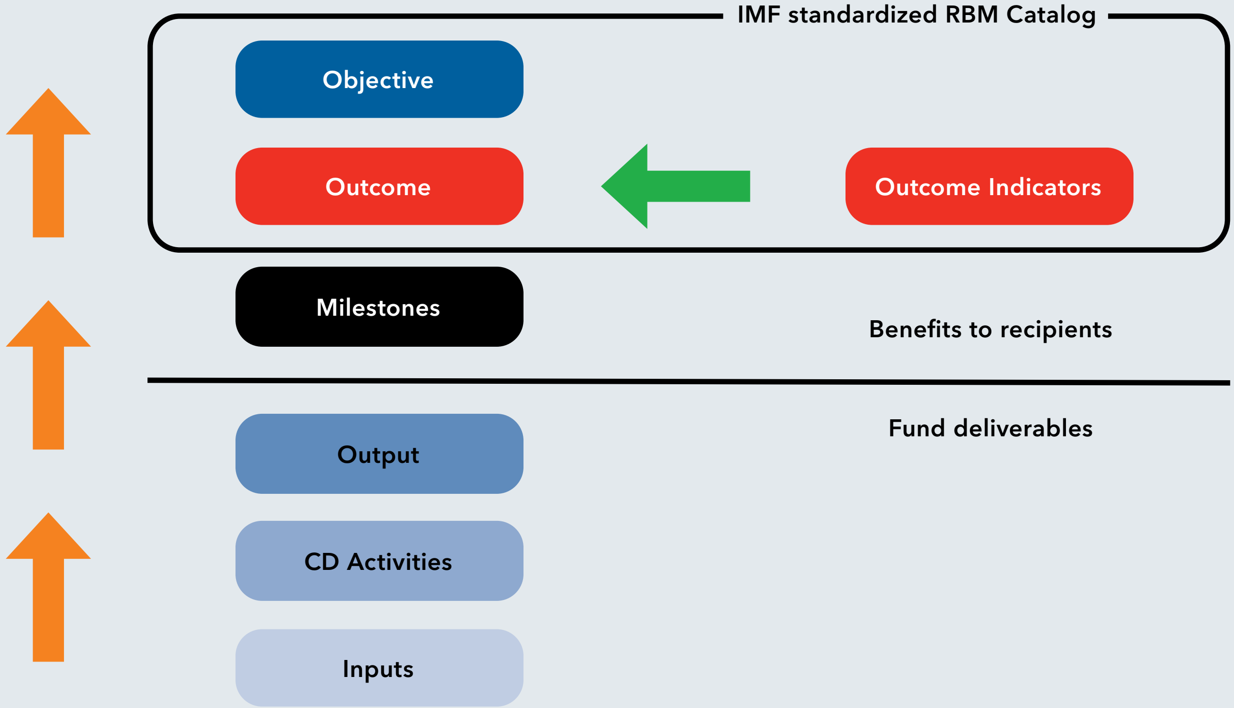
Independent external evaluations have consistently given IMF RCDCs and regional training centers high marks for quality of advice and training and speed and flexibility of response to member-country needs. Evaluations have found that: RCDCs: (i) are well suited to supporting institutional reforms and policy design and implementation; (ii) are an excellent vehicle to support regional learning, harmonization, and integration; and (iii) have helped improve capacity, frameworks, transparency, accountability, and control. External evaluations have also commended the RCDC governance model, which is focused on close cooperation among the IMF, beneficiary countries, and other development partners/CD providers. The model fosters strong ownership by beneficiary countries, as well as effective development partner engagement, guided by aid effectiveness principles. RCDCs have received excellent ratings on the quality and relevance of their services. Evaluations also have noted high RCDC awareness and responsiveness to country and regional needs and high satisfaction of training participants.

In line with Fund policy, an independent external evaluation of CCAMTAC will take place no later than 40 months after the activities financed under the Subaccount 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 CCAMTAC future operations.

[19] New Common Evaluation Framework for IMF Capacity Development, July 2016.

BOX 1. RESULTS-BASED MANAGEMENT (RBM) IN CCAMTAC

THE RBM FRAMEWORK RESULTS CHAIN



RBM will be a key tool to assess member-country progress against targeted objectives and outcomes. The IMF's approach to RBM makes use of logical frameworks (logframes) and 'results chains' which show causal relationships with time-bound strategic objectives, outcomes, ad outcome indicators, using a standardized RBM catalog and customizable milestones to track achievements of interim results. RBM will help CCAMTAC staff design, execute, and monitor CD at all life-cycle phases, allowing for mid-course corrections, if necessary. RBM is also designed to support more consistent, participatory CD processes and ensure a common understanding of expectations between CCAMTAC and country authorities.

Objectives and outcomes targeted over the CCAMTAC financing phase are summarized in strategic logframes (see Annex 1). Logframes are refined as formulation of CCAMTAC projects gets underway. CCAMTAC staff, in consultation with country authorities, develop comprehensive logframes for each country-level objective. Logframes are based on needs and objectives and APD and MCD RSNs, and are reviewed by HQ-based CD-department staff to ensure quality control and integration with IMF HQ CD logframes. Logframes include time-bound objectives, outcomes, and outcome indicators with baselines and customized milestones to track progress. As implementation of CD projects progresses, logframes are further refined to ensure full alignment with country authority objectives and capacity.

Logframes provide a management tool for CCAMTAC work planning, implementation, accountability, and follow-up. RBM supports engagement among the team delivering CD, recipient authorities, and APD and MCD country teams, supporting a common understanding of objectives and milestones. It establishes a clear tracking and accountability framework, requiring close collaboration with the authorities at all stages. Annual work plans will be prepared within the RBM framework and the IMF's overall CD prioritization processes, ensuring coordination with other IMF CD in the region. CCAMTAC workplan implementation will be monitored using the RBM framework and results will be reported to the CCAMTAC SC on a regular basis.

SECTION V

GOVERNANCE, OPERATIONS, VISIBILITY, FINANCIAL MANAGEMENT, AND RESOURCE NEEDS

SECTION V

A

GOVERNANCE

CCAMTAC will be governed according to the IMF's overall framework for RCDCs. This includes the IMF's Framework Administered Account for Selected Fund Activities (the "SFA Instrument"), the Essential Terms and Conditions for administration of the CCAMTAC subaccount, and the further specified activities as per the CCAMTAC program document.

CCAMTAC will be guided by a steering committee comprised of the IMF, country representatives, and development partners (Figure 4). SC responsibilities are to provide strategic guidance and priorities; endorse the annual work plan and budget; and review annual reports. CCAMTAC may involve other stakeholders in SC meetings, such as regional or international organizations. The SC will be chaired by member countries on a rotating basis; the first SC meeting will discuss the frequency of SC meetings, to be held at least annually. Selection of the SC chair and meeting locations should be determined by consensus, or for example, alphabetical order. The main role of the chair is to prepare for and preside over SC meetings, working with the coordinator.

The RCDC governance framework aims to promote member-country ownership, development-partner involvement, and center accountability. SC members are expected to provide feedback on center operations and help ensure that annual work plans: (i) reflect member-country needs—through member country representatives; (ii) are well coordinated with CD delivered by other providers—through member-country and development partner representatives; and (iii) are well-integrated with other CD, surveillance, and lending activities of the IMF.

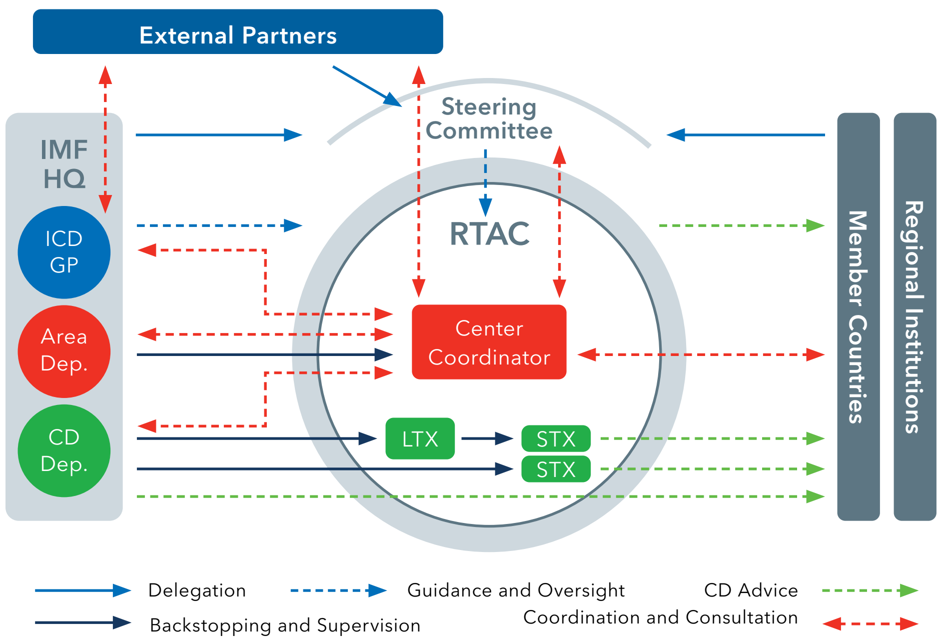
SECTION V

B

OPERATIONS

CCAMTAC annual work plans will be demand-driven, developed in consultation with member countries, and set within the context of RBM logframes that specify the medium-term outcomes and objectives targeted by the authorities. Workplans will also be developed in the context of the IMF's CD prioritization process–MCD and APD regional CD strategies and the IMF's annual TA resource allocation plan (RAP).[20] Demand-driven work plans are formulated based on the CD priorities identified by each country with CCAMTAC support and summarized in RBM logframes to specify targeted objectives, milestones, and outcomes. Development of annual work plans is also coordinated with the IMF budget cycle and RAP to ensure timely and predictable delivery of the planned CD. IMF staff from APD and MCD and CD departments will consult and coordinate with other CD providers–IFIs and bilateral agencies–to ensure that IMF and CCAMTAC CD plans do not duplicate, overlap, or conflict with other efforts. Development of multiyear CD engagements summarized in RBM logframes facilitates planning and reporting of longer-term interventions, with implementation subject to SC endorsement of annual work plans and reports.

FIGURE 4. CCAMTAC GOVERNANCE STRUCTURE



CCAMTAC will be located in Almaty, Kazakhstan. Almaty was selected as the result of a four-level proposal and evaluation process that took place during May-October 2019. The IMF requested proposals from all CCAM member countries in March 2019; the proposals covered 11 areas, including the host country financial proposal, flight linkages, visa regime, international community services, environment factors, and support facilities. Four excellent proposals were submitted by the Georgian, Kazakhstan, and Uzbekistan authorities, for Tbilisi, Nur-Sultan, Almaty, and Tashkent. In addition to evaluating the proposals, an IMF HQ team visited the four cities to assess security conditions and real

[20] The Resource Allocation Plan (RAP) is a detailed plan about delivery of CD activities by region, country, funding sources, and CD department.

estate availability, as well as to meet with national authorities. Finally, a committee of IMF department directors reviewed the assessments and made a recommendation to Fund management, which confirmed Almaty as the choice that balanced business needs the best.

CCAMTAC staff will include:

- **Coordinator.** 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 SC and oversight from IMF HQ. The coordinator is responsible for the implementation of the CCAMTAC work plan, execution of its budgets, administrative management of resident advisors, and hiring and supervision of local staff. The coordinator will be selected by MCD, in consultation with APD, ICD, and CD departments. He/she will report to MCD and APD and ensure that the work of the center is fully consistent with the overall strategy of MCD, APD, and the IMF. The coordinator will be the key interlocutor and channel of communications among the IMF, CCAMTAC, and the SC, for which he/she will serve as secretary.
- **Resident Advisors.** CCAMTAC will be staffed by seven resident advisors ("long-term experts" or LTXs). Resident advisors will be selected based on technical competence, management capacity, and experience. They will be selected and hired by IMF CD departments (FAD, MCM, STA, ICD), which will define LTX terms of reference, in consultation with MCD, APD, and the CCAMTAC coordinator. Consistent with their core responsibility for maintaining the quality of the IMF's CD services, CD departments will supervise and backstop LTXs.[21] CD departments are responsible for assessing LTX technical competence and performance with involvement of the coordinator. LTXs will also be supported by short-term experts (STXs), who will assist with specific CD engagements in CCAMTAC countries.
- **Other staff.** The work of the coordinator and LTXs will be supported by an office manager, assistants, and other personnel (e.g., driver, translators). CCAMTAC may engage a local economist or research assistant. The local staff will be selected by the IMF on an open, competitive basis.

[21] Backstopping involves providing guidance and resources to LTXs in the field, including agreeing on the content and milestones of the work program and agreeing on the scope and coverage of specific TA engagements (missions, workshops) and reports. This work is undertaken by a specifically-designated CD department staff member at IMF HQ—a "backstopper."

SECTION V

C

VISIBILITY

The center will ensure the visibility of its activities and external partners through a variety of reporting, communication and outreach channels. The emphasis will be on raising awareness of the activities of the center; increasing visibility of development partners; and better disseminating CD achievements. Efforts will leverage the following channels and platforms:

- **Website.** The center will create a website that is easy to navigate and standardized with other RCDCs. Its content will be frequently updated to make the website the go-to place for information on technical assistance and training. Twitter and Facebook will serve as key outlets for social media to broaden the target audience.
- **Newsletter.** The center will publish a quarterly newsletter to provide updates on training activities, achievements, and CD activities planned for the coming quarter. The center will distribute the newsletter to member countries and development partners and post it on its website and through social media to enable news of CD activities to reach a broader audience.
- **Annual reports.** The reports will monitor progress in milestones envisaged in CD projects and seek to identify obstacles and potential actions to optimize performance. These reports will be distributed to member countries, development partners, and IMF staff.
- **Meetings with development partners.** The coordinator and resident advisors will conduct regular meetings with development partners in the region. Development partners will also participate in regional workshops to promote visibility and strengthen the result-orientation of CD interventions.
- **Meetings with regional councils.** When invited, the coordinator and resident advisors will participate in meetings of the regional councils of central bank governors, finance ministers, and banking superintendents. These will be an occasion to report on CD developments and discuss options to deepen the regional orientation of the Center's operations.
- **Fund-wide CD platforms.** CCAMTAC news will be communicated to a wider audience leveraging the IMF corporate digital platforms and dedicated capacity development social media accounts, including IMF.org/capacitydevelopment and @IMFCapDev Facebook and Twitter.

SECTION V

D FINANCIAL MANAGEMENT

Contributions from CCAMTAC countries and partners will be pooled into a multi-partner subaccount under the Fund's SFA Instrument.[22] The subaccount will be used to receive and disburse financial contributions for CCAMTAC's activities. All resources contributed to the subaccount will be for the sole use of CCAMTAC. The basis for the financial arrangements between development partners and the IMF will be letters of understanding establishing the purposes of the contributions related to this program document and subject to the terms and conditions of the subaccount, as well as the SFA Instrument. The IMF will manage the trust fund in accordance with its financial regulations and other applicable IMF practices and procedures.

The IMF will provide partners with reports on subaccount expenditures and commitments through a secure external gateway, "Partner's Connect." Separate reporting on execution of the CCAMTAC budget will be provided at each SC meeting. Costs will be on an actual basis. Operations and transactions through the subaccount during the financial year of the IMF will be audited as part of the IMF's Framework Administered Account; the external audit report will be posted on the IMF's external website as part of the IMF's Annual Report. CCAMTAC will also be subject to audits by the IMF's Office of Internal Audit.

[22] http://www.IMF.org/external/np/pp/eng/2009/030409.pdf

SECTION V

E

RESOURCE NEEDS AND SUSTAINABILITY

CCAMTAC's proposed budget envelope will be US$45 million for five years. The budget will be financed by the IMF, the host country–Kazakhstan, other CCAM countries, and donor partners (Box 2 and Table 3). Kazakhstan has committed to cover approximately half of the externally financed portion of the budget– US$20 million. All CCAMTAC member countries are expected to provide a financial contribution to demonstrate ownership and ensure sustainability. The IMF will contribute US$3.3 million over five years to cover the coordinator's salary, benefits, and residence. External partners are expected to provide the remaining funds.

Financial sustainability considerations have been incorporated into the strategy. A threefold approach will be taken to mitigate risks: (i) establishing and strengthening long-term strategic relationships with key development partners; (ii) ensuring diversification of the partner base; (iii) CCAMTAC member country contributions–from the host country and from other member countries; and, if needed, (iv) an orderly scaling back of programs to match resources based on a careful prioritization process.

BOX 2. CCAMTAC: PROPOSED BUDGET ACTIVITIES

- Seven resident advisors, with complementary STX visits.
- Diagnostic assessments by IMF HQ missions to design strategic work programs, with follow-up CCAMTAC implementation support.
- IMF HQ missions in emerging areas, such as fintech, gender, climate change.
- Regional CD workshops and customized training to provide hands-on training and a platform for sharing knowledge and exchanging experiences, linking IMF bilateral and regional surveillance, program, and CD activities and aiming to strengthen regional integration.
- Backstopping and project management from HQ (by IMF CD departments: FAD, MCM, STA, ICD)–an integral part of CD delivery to ensure quality and consistency of CCAMTAC advice with IMF and international best practice.
- Trust Fund management fee to cover IMF administrative costs.
- Mid-term independent evaluation.
- A strategic budget reserve.
- Expenses of center coordinator.

Notes. The regional workshops and seminars will be managed by the coordinator and IMF MCD/APD. Other work streams will be managed by ICD, FAD, MCM, and STA. The proposed amounts in Table 3 are indicative and reflect expectations about the scope of activities, including the number and size of HQ, LTX, and STX missions. Funds may be reallocated across workstreams reflecting implementation progress, etc.

SECTION V

F

MAIN RISKS TO THE PROGRAM

Risks to the program are manageable. The main risks are lack of strong ownership and sustainability concerns. Member country contributions, together with close and continuous dialogue with the Fund and development partners, is expected to foster strong member ownership of the center. TA needs vary across CCAM countries, depending on existing capacity and policy priorities. Disparate needs could impede consensus among members regarding the center's priorities and resource allocation. This could, in turn, weaken buy-in. Mitigating this risk will require continuous engagement, relationship management, and dialogue with all stakeholders, including CCAMTAC members and other partners. Strong ownership by member countries and support of development partners will be key to ensure long-term sustainability of the center.

TABLE 3. CCAMTAC PROPOSED BUDGET, 2021–26

(In US dollars)

Capacity Development (by work stream)	29.6
1. Public financial management	5.1
2. Macroframeworks	3.6
3. Revenue administration	4.7
4. Monetary and exchange rate policies and operations	3.6
5. Financial sector regulation and supervision	3.6
6. National accounts and price statistics	3.5
7. Government finance statistics	3.4
8. Regional workshops/seminars 1/	2.0
Administration	2.6
CCAMTAC local staff	0.8
Interpretation/translation 2/	1.7
IMF FIN project management	0.1
IMF MCD project management	0.1
Governance and Evaluation	0.4
Steering Committee	0.1
Evaluation	0.3
Facilities	3.2
Lease and maintenance	2.8
Other (IT, travel and communications)	0.4
Start-up	2.6
Strategic Budget Reserve	0.7
Subtotal	**39.0**
Trust Fund Management Fee	2.7
Total	**41.8**
IMF Expenditures 3/	3.3
Grand total	**45.0**

1/ Includes funds for regional events (workshops, seminars) and emerging areas (e.g., fintech, climate, gender), and CD topics not covered separately (e.g. external sector statistics), including missions from IMF HQ. No resident advisor/LTX in this area. To be managed as a central pool with support for other workstreams.

2/ Reflects two full-time translators at CCAMTAC in Almaty and costs of interpretation/translations for LTX and STX visits and workshops.

3/ Funds for center coordinator.

ANNEXES

Annex I. Strategic Logical Framework (Logframes)

Annex I.A. Macroeconomic Frameworks Logistical Framework

FPP2.0		
Building macroeconomic forecasting and policy analysis capacity at relevant institutions to support the economic policymaking process		
Outcomes	**Verifiable Indicators**	**Risk and Assumptions**
1. Improved skills for macroeconomic policy analysis and forecasting.	1. A stable core group of relevant staff, who are tasked with spearheading the effort of developing capacity in macroeconomic policy analysis and forecasting at the institution, and a group coordinator, have been identified. 2. [XX% of staff in] the core group demonstrates capability to independently operate the tools developed as part of capacity building in macroeconomic policy analysis and forecasting. 3. Strengthen [on an annual basis] the capacity of some [x junior] staff from [x departments / ministries] for economic policy analysis [and forecasting].	Political Support Management Support & Technical Staff Commitment Staff Turnover Interagency Coordination Resource Adequacy Other Risks
2. A Macroeconomic Projection Tool(s) / Simulation Tools(s) (MPT) is fully operational.	1. An MPT tool has been developed in the form of: a. A basic (Excel) framework for forecasting and policy analysis, respecting accounting relationships (Pillar 1); b. A general equilibrium (GE) model with mainly adaptive behavior (Pillar 2); c. A semi-structural GE model with rational expectations (Pillar 3); d. A fully structural dynamic DSGE model (Pillar 4); e. A hybrid model; f. A fiscal / debt sustainability model. 2. X% of relevant staff is trained to prepare baseline projections and analyses using the MPT. 3. Macroeconomic projections and policy analyses are prepared using an MPT tool. 4. A user manual has been prepared, is kept up-to-date, and readily available to users.	
3. The preparation of macroeconomic projections and economic policy analyses is integrated in the economic policy process, supported by better internal cooperation and communication.	1. Group of staff responsible for macroeconomic projections and analysis (GMP) is institutionalized and operational. 2. A detailed calendar from data exchanges leading up to the finalization of the projections and economic policy analyses is adopted and implemented. 3. GMP staff conduct regular internal presentations on scenario and risk analysis (both economic and policy scenarios). 4. Analysis on the gaps between forecasts and outturns are presented internally. 5. Relevant internal documents make use of forecasts and scenarios, considering underlying macroeconomic analyses using the MPT. 6. Medium-term forecasting framework is updated using the MPT and is supporting economic policy decision-making.	
4. Transparency and policy credibility are improved though better external communication.	1. Macroeconomic outlook and analysis (e.g. Underlying assumptions, policy scenarios, and risks) based on the MPT are published in relevant documents (e.g. economic outlook or budget documentation, MTFF, fiscal risk report). 2. The forecasting and projection tool is well documented, a user manual prepared, and key documents have been published.	

FPAS		
Objective 1: Building FPAS capacity		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. Improved economic analysis and forecasting capabilities at the CB.	1. Modeling and Forecasting Unit (MFU) is set up. 2. A fully operational core Quarterly Projection Model (QPM) is developed. 3. Fully operational suit of satellite and NTF models is developed. 4. QPM-based analytical framework is used to produce medium-term forecasts.	Political Support Management Support & Technical Staff Commitment Staff Turnover Interagency Coordination Resource Adequacy Other Risks
Objective 2: Incorporating FPAS into the decision-making process		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. Decision-making process streamlined.	1. Inter-divisional Forecasting Team (FT) created. 2. Projection Coordinator appointed.	Political Support Management Support & Technical Staff Commitment Staff Turnover Interagency Coordination Resource Adequacy Other Risks
2. MPC uses staff projections in policy decision making.	1. MPC understands the structure of QPM and processes behind FPAS. 2. Forecast Calendar developed. 3. Interactions b/w MPC and FT take place according to Forecast Calendar.	
3. Monetary policy communication strategy strengthened.	1. Yearly calendar of regular MPC meetings is published in advance. 2. Monetary policy strategy developed and published. 3. Monetary Policy (Inflation) Report is published at least 4 times a year. 4. Other analytical reports are published routinely on the same frequency. 5. A wide variety of communication channels is used.	

Annex I.B. Revenue Administration Logical Framework

Revenue Administration Improve the efficiency and effectiveness of the tax system by implementing a comprehensive strategy for strengthening revenue administration		
Regional Strategic Objective: Improved tax administration management and governance arrangements		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized.	1a. Strategic and operational plans prepared and adopted. 1b. Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated. 1c. Reform management capacity strengthened or in place for reform implementation, including dedicated resources. 1d. Key performance indicators established, regularly reported and monitored.	Sufficient leadership of reform measures and commitment by authorities to reach selected milestones. No major exogenous shocks and no deterioration in political conditions in the member countries. Close collaboration with other development partners to avoid duplication of work. Priorities are agreed with authorities according to their needs, capacities and requests. Authorities allocate sufficient resources and put in appropriate
2. Organizational arrangements enable more effective delivery of strategy and reforms	2a. Appropriate institutional settings in place. 2b. Clear organizational structure along functional lines and/or taxpayer segments established and operating or strengthened. 2c. Clear separation of roles and responsibilities between HQ (definition of standard operation procedures, planning and monitoring) and local branches (execution) adopted.	
3. Support functions enable more effective delivery of strategy and reforms.	3a. Support functions and policies strengthened or in place, including infrastructure, finance, legal, research, and communications. 3b. Improved human resources strategies and practices to support the tax administration. 3c. Improved ICT strategies and systems to support the tax administration.	
4. Transparency and accountability are more effectively supported by independent external oversight and internal controls.	4a. External oversight bodies and investigation processes strengthened or in place, for example, through an ombudsman, independent commissions, and auditor general. 4b. Internal controls covering all key core operations and staff integrity assurance mechanisms strengthened or in place. 4c. Public perceptions of integrity increased. 4d. Financial and operational performance and plans more publicly reported.	
5. Corporate priorities are better managed through effective risk management.	5a. Improved identification, assessment, ranking and quantification of compliance risks. 5b. Better mitigation of risks through a compliance improvement program. 5c. Improved monitoring and evaluation of compliance risk mitigation activities. 5d. Better identification, assessment and mitigation of institutional risks.	
6. Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols.	6a. Substantive provisions of the tax and customs laws are better aligned with modern standards and/or protocols, and are widely communicated, and applied. 6b. Administrative provisions are harmonized and consolidated, for example, under a tax procedures code.	
7. More independent, accessible, effective and timely dispute resolution mechanisms adopted.	7. Existence of an independent, workable, and graduated dispute resolution process.	
8. Effective implementation of a new tax or modernized legislation.	8. New/modernized tax implemented on scheduled date.	

Revenue Administration Improve the efficiency and effectiveness of the tax system by implementing a comprehensive strategy for strengthening revenue administration		
Regional Strategic Objective: Improved tax administration core functions		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. The integrity of the taxpayer base and ledger is strengthened.	1a. More accurate and reliable taxpayer information held in centralized database. 1b. Knowledge of taxpayer base and potential taxpayers improved through robust taxpayer registration policies and procedures. 1c. Effective management of tax accounts.	Same as above
2. Taxpayer services initiatives to support voluntary compliance are strengthened.	2a. Scope, currency and accessibility of information for taxpayers improved. 2b. Taxpayer perceptions of service monitored and improved.	
3. A larger proportion of taxpayers meet their filing obligations as required by law.	3a. On-time filing ratio improved. 3b. Management of filing compliance improved. 3c. Self-assessment used to declare tax liabilities and strengthened.	
4. A larger proportion of taxpayers meet their payment obligations as required by law.	4a. On-time payment ratio improved. 4b. Management of refunds improved 4c. Management of tax arrears improved.	
5. Audit and other verification programs more effectively ensure accuracy of reporting.	5a. Appropriate range of tax audits and other initiatives used to detect and deter inaccurate reporting and fraud. 5b. Automated cross-checking used to verify return information. 5c. Sound methodologies used to monitor the extent of inaccurate reporting and tax gaps (RA-GAP results).	

Annex I.C. Public Financial Management Logical Framework

<table>
<tr><th colspan="3">Public Financial Management
Assist member countries to strengthen core PFM functions and introduce progressively more advanced PFM practices and systems</th></tr>
<tr><td colspan="3">Regional Strategic Objective: Comprehensive, credible, and policy-based budget preparation</td></tr>
<tr><td>Outcomes</td><td>Verifiable Indicators</td><td>Risk and Assumptions</td></tr>
<tr><td>1. Credible medium-term macro-fiscal framework that supports budget preparation.</td><td>1. Percentage variation between macro-fiscal forecasts and outturns (PEFA PI-1, PI-2, PI-3).</td><td rowspan="3">Sufficient ownership and high-level support for reforms from authorities.

Sufficient technical and resource capacity exists to implement reforms.

Priorities are agreed with authorities according to their needs and capacities.

There are no major exogenous shocks or deterioration in political circumstances in member countries.

Close collaboration with other development partners to optimize capacity development and avoid duplication.</td></tr>
<tr><td>2. Comprehensive and unified annual budget is published.</td><td>2. Comprehensiveness of budget coverage and documentation (PEFA PI-5, PI-6, PI-9).</td></tr>
<tr><td>3. Credible medium-term budget framework is integrated with the annual budget process.</td><td>3a. Variation between revenue outturn and approved budget (PEFA PI-3).
3b. Availability, adoption and reporting of fiscal strategy (PEFA PI-15, FTC 2.3.1).
3c. Medium-term perspective in budget framework (PEFA PI-16).</td></tr>
<tr><td colspan="3">Regional Strategic Objective: Improved budget execution and control</td></tr>
<tr><td>Outcomes</td><td>Verifiable Indicators</td><td>Risk and Assumptions</td></tr>
<tr><td>1. Controls over expenditure commitments and payments are strengthened.</td><td>1a. Effectiveness of internal controls for payroll and non-salary expenditure (PEFA PI-23, PI-25).

1b. Coverage and quality of standards and procedures applied in internal audit (PEFA PI-26).</td><td rowspan="2">Same as above</td></tr>
<tr><td>2. Planning, appraisal, selection, and implementation of public investments is improved.</td><td>2. Appraisal, selection, costing and monitoring of public investment projects (PEFA PI-11, PIMA 9-14).</td></tr>
</table>

Public Financial Management Assist member countries to strengthen core PFM functions and introduce progressively more advanced PFM practices and systems		
Regional Strategic Objective: Improved coverage and quality of fiscal reporting		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. Chart of accounts and budget classifications are aligned with international standards.	1. Comparability of budget classification with international standards (PEFA PI-4, FTC 1.3.1).	Same as above
2. Comprehensiveness, frequency, and quality of fiscal reports is enhanced.	2a. Comprehensiveness and accuracy of in-year reports and annual financial statements (PEFA PI-28, PI-29). 2b. Coverage of fiscal reports (FTC 1.1.1, 1.1.2, 1.1.3).	
Regional Strategic Objective: Improved assets and liability reporting and management		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. More central government revenues and expenditures are deposited and disbursed through a Treasury Single Account.	1. Extent of consolidation of cash balances by the Treasury (PEFA PI-21.1).	Same as above
2. Cash flow forecasts for central government are more accurate and timelier.	2. Effectiveness and timeliness of cash flow forecasting and cash balance management (PEFA PI-21.2 DEMPA DPI 11).	
3. Disclosure and management of state assets is improved.	3. Disclosure and management of risk related to public assets and liabilities (FTC 3.2.2).	
Regional Strategic Objective: Strengthened identification, monitoring, and management of fiscal risks		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. Disclosure and management of contingent liabilities and other specific risks are more comprehensive.	1. Reporting contingent liabilities and other risks (PEFA PI-10.3, OBI 42 or FTC Pillar III components).	Same as above
2. Analysis and presentation of macroeconomic risks are enhanced.	2. Disclosure of macro-fiscal sensitivity analysis or alternative scenarios (FTC 3.1.1, PEFA 14.3, OBI 15).	
3. Central fiscal oversight and analysis of public corporation risks are strengthened.	3. Comprehensiveness and timeliness of monitoring and reporting public corporation’s fiscal risks (PEFA PI-10.1, FTC 3.3.2).	
4. Fiscal costs and risks arising from PPP contracts are assessed and managed.	4a. An effective PPP law and institutional framework is adopted for managing PPPs. 4b. The fiscal impacts and risks of large PPP projects are assessed and disclosed.	
5. Risks to assets and liabilities are disclosed and their management is improved.	5. Disclosure and management of fiscal risk related to public assets and liabilities (FTC 3.2.2, 3.2.6).	

Annex I.D. Financial Sector and Monetary Policy Logical Framework

Monetary and Foreign Exchange Policy and Operations CD		
Regional Strategic Objective: To strengthen the capacity of the central bank to implement monetary policy effectively in the context of the given monetary policy regime.		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. An effective interest rate corridor is developed to limit volatility in market interest rates within an acceptable range, consistent with the chosen type of interest rate corridor.	1. The central bank has in place standing facilities (lending and deposit facilities) with open access to all eligible counterparties (given sufficient collateral in the case of lending facility). 2. Standing facilities are operational on a daily basis as a backstop instrument for liquidity adjustment purposes to help limit interest rate volatility. 3. The regulations pertaining to the use of standing facilities should be publicly available for transparency.	1. Insufficient political support particularly at times of policy tightening. 2. High staff turnover and inability to retain competent staff. 3. Weak IT systems.
2. The central bank has adequate operational instruments and is able to formulate operational strategy to deal with changing liquidity conditions.	1. The design of reserve requirements (RR) should be consistent with its main objective. 2. Appropriate Open Market Operations (OMO) instruments are available with varieties in terms of type and maturity to deal with different liquidity conditions (cyclical/structural, excess/shortage). 3. The central bank is able to allocate and strategize liquidity instruments to help achieve its monetary policy objective.	
To modernize monetary policy with the aim of strengthening central bank ability to maintain low inflation, preserve macroeconomic and financial stability, and effectively cope with external shocks		
Outcomes	Verifiable Indicators	Risk and Assumptions
1. The Central Bank (CB) pursues a clear mandate and the operational framework is consistent with achieving the objectives.	1. CB mandate and tasks evidenced by issuance of both internal documents and new legislation. 2. A specific target for the inflation or the exchange rate is announced (either a point or a band). 3. Operating and intermediate monetary policy targets are declared publicly.	1. CB is not legally or operationally independent in practice. 2. Fiscal dominance. 3. Credible data are not available. 4. Domestic money markets are insufficiently developed. 5. Economy presents significant financial dollarization. 6. Insufficient donor funding and technical assistance available to support the development and reform process.
2. The decision-making process is streamlined and the responsibilities within the CB are clarified.	1. All the tools required to achieve the goals are available to the CB. 2. Clear accountability is implemented in the governance structure and the CB act.	
3. Economic analysis and forecasting capabilities at the CB are adequate.	1. Forecasting and Policy Analysis System (FPAS) implemented. 2. A forecasting team is set up and integrated in the decision-making process. 3. The forecasting process provides for thorough policy analysis, internal interactions between departments and Monetary Policy Committee (MPC).	1. Data collection outside the CB not adequate. 2. Lack of hardware and software. 3. Staff turnover.
4. Internal and external communications framework is consistent with its role as a monetary policy instrument.	1. CB performs a regular assessment of the effects of monetary policy communications, relying on multiple approaches. 2. Internal processes are adequately designed to support effective communications.	

<table>
<tr><th colspan="3">Financial Sector Regulation and Oversight CD</th></tr>
<tr><td colspan="3">Regional Strategic Objective 1: Develop/strengthen banking regulations and prudential norms.</td></tr>
<tr><th>Outcomes</th><th>Verifiable Indicators</th><th>Risk and Assumptions</th></tr>
<tr><td>1. Supervisors and regulations require banks to apply sound policies and processes to identify, measure, monitor, and control their financial risks on a timely basis and assess their capital adequacy in relation to their risk profile.</td><td>1. Guidelines and regulations for risk measurement and management are adopted.
2. Supervisors assess whether regulations and guidelines on risk measurement and management are being applied by banks.</td><td rowspan="2">1. Insufficient political support to pass or enforce the necessary legislation or regulations.
2. Insufficient ownership by authorities.
3. High staff turnover and inability to retain competent staff.
4. Weak IT systems.</td></tr>
<tr><td>2. Supervisors have the necessary capacity to upgrade banking regulations and effectively apply them.</td><td>1. Supervisors perform a regular review of the regulatory framework and provide suggestions on how to upgrade regulations based on developments in banking sector and international standards.
2. Supervisors monitor the application of these regulations in their routine activities.</td></tr>
<tr><td colspan="3">Regional Strategic Objective 2: To implement a risk-based supervision (RBS) system and upgrade other supervisory processes.</td></tr>
<tr><th>Outcomes</th><th>Verifiable Indicators</th><th>Risk and Assumptions</th></tr>
<tr><td>1. Supervisors have sufficient capacity to effectively implement risk-based supervision and other supervisory processes.</td><td>1. Supervisors fully trained to be able to implement risk-based supervision and other supervisory process.
2. Supervisory reports focus on key risk aspects of the banking system and provide appropriate recommendations.
3. Inspection reports of individual banks are more risk oriented and identify key qualitative and quantitative risks.
4. Supervisors monitor banking problems and risks and take early action as needed.</td><td rowspan="2">1. Insufficient political support to pass or enforce the necessary legislation or regulations.
2. Insufficient ownership by authorities.
3. High staff turnover and inability to retain competent staff.
4. Weak IT systems.</td></tr>
<tr><td>2. Supervisors timely address unsafe and unsound practices or activities that could pose risks to banks or to the banking system.</td><td>1. Supervisors apply sanctions and enforce prompt corrective actions to address banking problems.
2. Supervisors follow implementation of corrective measures and escalate actions as needed.</td></tr>
</table>

Annex I.E. Macroeconomic and Fiscal Statistics Logical Framework

<table>
<tr><th colspan="3">Topic: Real Sector Statistics</th></tr>
<tr><td colspan="3">Regional Strategic Objective: Strengthen macroeconomic and financial statistics compilation and dissemination for decision making</td></tr>
<tr><th>Outcomes</th><th>Verifiable Indicators</th><th>Risk and Assumptions</th></tr>
<tr><td colspan="2">National Accounts Statistics</td><td rowspan="13">Political Support: Medium to High Risk

The political decision-making process might result in delays and lack of implementation of the action plans.

Management & Technical Staff Support and Commitment: Medium to Low Risk

The commitment of staff and their supervisors, and support of all staff levels should be strong.

Resource Adequacy: Medium to Low Risk

The human resources - number of staff, training/knowledge, technical skills should be adequate.

Other Risks: Medium Risk to High

The lack of coordination between agencies might impose risks on the implementation plan.</td></tr>
<tr><td>Staff capacity increased through training, especially on developing source data and compilation methods.</td><td>The number of staff trained to compile national accounts statistics is adequate.</td></tr>
<tr><td>Data are compiled using the coverage and scope of the latest manual/guide.</td><td>The coverage and scope of national accounts statistics are broadly consistent with the guidelines outlined in the relevant manual/guide.</td></tr>
<tr><td>Data are compiled and disseminated using the classification of the latest manual/guide.</td><td>The classifications used are in broad conformity with internationally recommended systems.</td></tr>
<tr><td>Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs.</td><td>National accounts statistics compilation systems are comprehensive, robust and well documented.</td></tr>
<tr><td>Source data are adequate for the compilation of these macroeconomic statistics.</td><td>Source data needed to compile periodic benchmark estimates are comprehensive and reasonably approximate the definitions, scope, classifications, valuation, and time of recording required (recommended at least 5-yearly benchmarks), and timely. Where appropriate, additional data required for compiling supply-use tables are available.</td></tr>
<tr><td>Improved timeliness of data made available internally and/or to the public (shorter delays).</td><td>Data for quarterly GDP are disseminated within 90 days after the end of the reference period.</td></tr>
<tr><td>Revision studies and revision policy and practices have begun and/or have been released internally and/or to the public.</td><td>Revision studies and policy for both annual and quarterly GDP have been assessed, documented and disseminated.</td></tr>
<tr><td>Metadata released internally and/or to the public have been strengthened consistent with the dataset to enhance interpretation and analysis.</td><td>Metadata sufficient to support data analysis for national accounts statistics have been developed and are available to users.</td></tr>
<tr><td colspan="2">Price Statistics</td></tr>
<tr><td>Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.</td><td>Relative to the baseline, the number of staff trained to compile and/or disseminate price statistics is adequate.</td></tr>
<tr><td>Data are compiled and disseminated using the concepts and definitions of the latest manual/guide.</td><td>Relative to the baseline, deviations from the relevant price statistics manual are reduced and/or eliminated.</td></tr>
<tr><td>Data are compiled and disseminated using appropriate statistical techniques, including dealing with data sources, and/or assessment and validation of intermediate data and statistical outputs.</td><td>Concepts, definitions, and compilation methods broadly follow the relevant price statistics manual.</td></tr>
</table>

Topic: Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS)

Regional Strategic Objective: Strengthen macroeconomic and financial statistics compilation and dissemination for decision making.

Outcomes	Verifiable Indicators	Risk and Assumptions
Source data are adequate for the compilation of these macroeconomic statistics .	Source data are adequate for compilation of fiscal and debt data covering the entire public sector.	**Political Support: Medium to High Risk** The political decision-making process might result in delays and lack of implementation of the action plans. **Management & Technical Staff Support and Commitment: Medium to Low Risk** The commitment of staff and their supervisors, and support of all staff levels should be strong. **Resource Adequacy: Medium to Low Risk** The human resources - number of staffs, training/knowledge, technical skills should be adequate. **Other Risks: Medium Risk to High** The lack of coordination between agencies might impose risks on the implementation plan.
Institutional Integrity/ Transparency/Ethical Practices meet statistical standards.	The institutional responsibility for collecting, processing and disseminating these statistics is clearly specified and data sharing and coordination among data-producing agencies are adequate.	
Higher frequency data have been compiled and/or disseminated internally and/or to the public.	(1) Data for central government are compiled on quarterly basis. (2) Public sector debt statistics compiled and disseminated on a quarterly basis.	
Macroeconomic data sets used by policy-makers have been made more intersectorally consistent (reduced discrepancies).	(1) Fiscal and debt data are consistent or reconcilable with those obtained through other data sources and/or statistical frameworks. (2) Macro fiscal frameworks migrated to *GFSM 2014* concepts.	
Revision studies and revision policy and practices have begun and/or have been released internally and/or to the public.	Revision studies and policy have been assessed, documented and disseminated.	
A new data set (covering the general government or public sector) has been compiled and/ or disseminated internally and/ or to the public.	More granular data for GFS and PSDS have been compiled and/or disseminated internally and/or to the public.	
Resources are adequate for compiling macroeconomic and financial statistics.	The number of staff compiling the topical area of statistics is adequate for compilation.	
Staff capacity increased through training, especially on developing source data and compilation methods.	The number of staff trained to compile the statistics is adequate.	
Data are compiled using the concepts and definitions of the latest manual/guide.	The overall conceptual framework, concepts, and definitions of GFS and PSDS are in broad conformity with guidelines outlined in the most recent manual for these statistics.	
Data are compiled using the classification of the latest manual/guide.	The classification (Economic and COFOG) used for the GFS is in broad conformity with the guidelines outlined in the relevant manual/guide.	
Data are compiled using the sectorization of the latest manual/guide.	Sectorization used for the GFS and PSDS is in broad conformity with guidelines outlined in the relevant manual/guide.	
Data are compiled using the appropriate basis of recording consistent with the latest manual/guide.	Data for the GFS and PSDS are compiled using the appropriate basis of recording consistent with the latest manual/guide or internationally accepted standards/good practices.	
Data are compiled using the coverage and scope of the latest manual/guide.	The coverage and scope of the GFS and PSDS are broadly consistent with the guidelines outlined in the relevant manual/guide.	

Topic: External Sector Statistics		
Regional Strategic Objective: Strengthen macroeconomic and financial statistics compilation and dissemination for decision making		
Outcomes	Verifiable Indicators	Risk and Assumptions
Legal and institutional environment and management.	An adequate statistical law exists to enable the compiling agency to collect source data.	**Political Support: Medium to High Risk** The political decision-making process might result in delays and lack of implementation of the action plans. **Institutional support: Medium to High Risk** Lack of institutional support for interagency cooperation might result in lack of performance and/or delay in the implementation. **Management & Technical Staff Support and Commitment: Medium to Low Risk** The commitment of staff and their supervisors, and support of all staff levels should be strong. **Resource Adequacy: Medium to Low Risk** The human resources - number of staffs, training/knowledge, technical skills should be adequate.
Institutional Integrity/ Transparency/Ethical Practices meet statistical standards.	The institutional responsibility for collecting, processing and disseminating these statistics is clearly specified and data sharing and coordination among data-producing agencies are adequate.	
Staff capacity increased.	Compilers are trained in different aspects of ESS compilation.	
Data are compiled and disseminated using the concepts and definitions of the latest manual/guide.	The overall conceptual framework, concepts and, definitions of ESS are in broad conformity with guidelines outlined in *BPM6*.	
Internal consistency within a macroeconomic or financial dataset has improved.	The BOP and IIP are consistent within the dataset and with other external sector statistics.	
Macroeconomic data sets used by policy-makers have been made more inter-sectorally consistent.	The BOP and IIP are consistent or reconcilable with national accounts and MFS.	
Source data are adequate for the compilation of these macroeconomic statistics.	Source data and coverage are adequate to compile ESS.	
Higher frequency data have been compiled and/or disseminated internally and/or to the public.	Data collection and compilation is upgraded to quarterly periodicity.	

Annex II. Country Backgrounds and Expected CD Need

COUNTRY BACKGROUND – ARMENIA

OVERVIEW

Over the past 25 years Armenia has been able to achieve robust rates of economic growth, while improving its economic policy frameworks. Nonetheless, the country continues to face significant challenges, including high poverty, lack of a clear growth engine, and limited available trade routes due to closed borders with neighboring Turkey and Azerbaijan, and poor transportation infrastructure. Armenia needs to continue its reform efforts with the aim of becoming a dynamic emerging market economy.

MEDIUM-TERM MACROECONOMIC CONTEXT

The authorities' main objective is to transform Armenia into a dynamic emerging market economy. Achieving this objective will require higher rates of domestic and foreign investment, which should be fostered via higher regional and global integration, consolidation of macroeconomic stability, stronger tax revenue collections and increased public investment spending, and reduction of external vulnerabilities.

Armenia's growth remains volatile and narrowly based, and poverty and unemployment remain high. Fiscal adjustment has been delayed by external shocks, but actions have been taken to bring down the fiscal deficit and public debt. Improving revenue mobilization remains a key priority, as do reforms to the public investment management framework. The financial sector remains dominated by banks and the capital market is shallow. Despite recent progress, the overall implementation of structural reforms needs to be accelerated; the new government is following up on reforms more effectively, with some success in removing vested interests. To tackle these challenges, the government should (i) increase and maintain potential growth at a high pace and foster inclusiveness; (ii) maintain fiscal and external sustainability; and (iii) further build buffers against external vulnerabilities and enhance resilience to shocks.

KEY POLICY RECOMMENDATIONS

Macro Frameworks. As part of the Netherlands-funded project on Strengthening Macroeconomic Management in Armenia and Georgia, ICD has provided in-house customized training to staff from the Ministry of Finance (MoF) on developing and using model-based frameworks for fiscal policy analysis (FPA). Staff from ICD and the MoF jointly developed a structural DSGE model for the Armenian economy—the Fiscal Strategy Model (FSM)—which has been used for scenario analysis in policy discussions at the MoF. While the project was coming to an end in April 2020, the authorities have expressed their strong interest in continuing renewed CD support to strengthen their skills in this area, using the model for policy analysis and formalizing its use in the policy cycle. The model could be used in the annual preparation of the MoF Medium-Term Expenditure Strategy and its budget planning. The Public Financial Management Strategy was recently approved by the Armenian government and included targets and actions on designing and introducing the FPS DSGE model in the MoF.

Fiscal policy. The medium-term objective for fiscal policy is to preserve debt sustainability while safeguarding essential capital and social spending. Revenue mobilization should be enhanced by measures focused on tax policy and strengthening revenue administration, while reinforcing spending efficiency is crucial to expenditure management. Fiscal structural reform should aim at enhancing long-term fiscal sustainability, as well as strengthening public investment management and assessment and management of fiscal risks.

Monetary and ER policies. Monetary policy should continue to deliver price stability, while two-way ER flexibility should be maintained to absorb shocks and facilitate adjustment to fundamentals to maintain competitiveness. Upgrading the monetary policy framework is crucial to enhancing the effectiveness of interest rate-based policy and the central bank's inflation forecast targeting. Given high dollarization and limited money and capital market development, monetary policy transmission mechanism should be improved by strengthening liquidity forecast and management, promoting interbank markets, developing long-term instruments, and taking steps to reduce dollarization. Adequate reserve buffers should be maintained, limiting intervention only to smooth excessive fluctuation and mitigate transitory pressures.

Financial sector policy. Drawing on FSAP recommendations, policy should continue to strengthen financial sector resilience to shocks, while promoting financial intermediation. Further improvements in banking sector resilience should be supported by prudential and regulatory frameworks, while broader financial market development encourages private sector access to finance and mobilization of domestic saving.

External sector policy. Policy should aim at improved management and prioritization of the large $2 billion pipeline of foreign-financed capital projects and diversification of the export-base to increase resilience and reduce dependence on remittances and copper mining.

Structural reforms. Focus should continue to be on tackling deep-seated structural challenges for generating broad-based prosperity. This includes (i) improving the business climate and competition; (ii) strengthening governance and anti-corruption measures; (iii) creating jobs to reduce poverty and income inequality; (iv) reforming the energy sector; and (v) facilitating privatization.

COUNTRY BACKGROUND – AZERBAIJAN

OVERVIEW

Azerbaijan is a small upper middle-income oil exporting economy, vulnerable to external shocks. Azerbaijan has undergone significant economic transformation and development since the country's independence in 1991. Its economy collapsed with the breakup of the Soviet Union, but rapidly advanced through the exploitation of hydrocarbon resources and implementation of market-based reforms. The poverty rate, which was 50 percent in 2001, is now under 5 percent, and the country has achieved a high human development index rating starting in 2010. However, the heavy reliance on petroleum resources (e.g., 92 percent of exports; 67 percent of fiscal revenues) which are gradually depleting, increases volatility and raises concerns about long-term sustainability and macroeconomic stability. Following two years of negative growth, Azerbaijan is gradually recovering from the 2014 oil price shocks. The main national goal of establishing a more diversified production and export structure will take time.

MEDIUM-TERM MACROECONOMIC CONTEXT

Azerbaijan faces several challenges. The authorities need to place fiscal policies on a sustainable path given declining hydrocarbon resources and inter-generational equity considerations. They also need to modernize monetary and fiscal frameworks and clean up the banking system and restart the credit intermediation process. Efforts should be channeled to diversify the economy away from its reliance on oil and gas and expand the export base and accelerate structural reforms to foster private sector-led growth.

KEY POLICY RECOMMENDATIONS

Fiscal policy. Refining the recently introduced fiscal rule to enhance credibility and ensure compliance against it, as well as implementing complementary reforms to strengthen PFM process including a Medium-Term Budget Framework to operationalize the fiscal rule. Further, strengthening PFM institutions and fiscal transparency, including compilation and dissemination of fiscal data and public investment management remain priorities, along with frameworks to monitor, manage and disclose fiscal risks. Strengthening the debt management department at the Ministry of Finance so that it can improve and better implement the medium-term debt strategy approved in 2018. Generating higher non-oil tax revenues and promoting efficiency by: (i) broadening the tax base; (ii) establishing new transfer pricing rules; (iii) requiring use of electronic invoices; (iv) streamlining exemptions. Strengthen revenue administration operations and organization to increase effectiveness of revenue mobilization. Strengthening public investment management.

Monetary and ER policies. Allowing the ER to truly float via the auctions at the central bank. Developing hedging instruments. Releasing data on ER auctions. Modernizing monetary and ER policy frameworks, with the goal of moving to an inflation targeting (IT) framework in the near-term. Improving the functioning of short-term monetary aggregate targeting as the CBA transitions to IT. Efforts are needed to improve liquidity forecasting, number and quality of monetary policy instruments, transmission mechanism, and communication of monetary policy.

Financial sector policy. Strengthening the supervisory capacity of the new financial regulator (FIMSA). Training of staff to undertake onsite inspections, conduct asset quality reviews, apply stress tests, and review lending standards. Modernizing the financial sector by: (i) operationalizing the new Bank Resolution Law; (ii) use of alternative restructuring mechanisms (out of court settlements, fast-track procedures, elimination of tax disincentives, better legal enforcement); and (iii) privatizing IBA. Restoring the operational independence of FIMSA.

Structural reforms. Implementing the authorities broad based reform agenda which covers eleven economic sectors and focuses on four strategic targets: (i) macroeconomic stability; (ii) export diversification, privatization and improved SOE performance; (iii) human capital and labor market development; and (iv) a strengthened business environment. Negotiating a deep WTO accession, and joining the WTO. Strengthening governance, rule of law, competition policy, and reducing corruption—the main obstacles to doing business and expanding trade. Privatizing and improving the management of SOEs.

COUNTRY BACKGROUND – GEORGIA

OVERVIEW

Georgia is a lower-middle income small open economy located in the Caucasus, with income per-capita at US$4,700 and GDP at US$17.6 billion. Economic activity is dominated by services and industry, although most of the employment is concentrated in agriculture. Georgia's main trading partners are the EU, Turkey, Russia, China, Bulgaria, Azerbaijan, and the USA. Its current account deficit is financed mainly by FDI, directed to transport, communications and energy. Half of the labor force is self-employed in agriculture, unemployment is high (about 12 percent).

The government wants to leverage Georgia's geographic location to diversify towards transportation, logistics, and tourism. The external shock at end-2014 –reduced growth in major trading partners– unveiled structural weaknesses that resulted in lower growth, large external imbalances and balance of payments needs. For addressing such weaknesses, the authorities aim to strengthen macroeconomic and financial stability as well as fiscal credibility, increase infrastructure investment, and undertake structural reforms to make the private sector the engine of growth.

The Fund approved a three-year EFF program for Georgia in April 2017 for about US$285.3 million. On December 17, 2019 the program was extended by an additional year (without increasing access) to support the authorities' efforts in maintain policy discipline and implementing reforms. The program is helping Georgia reduce economic vulnerabilities, pursue well-coordinated policies and promote growth. The program includes ambitious structural reforms to generate higher and more inclusive growth, focusing on improving education, investing in infrastructure, making the public administration more efficient, and improving further the business climate to boost the private sector role as a growth engine.

MEDIUM-TERM MACROECONOMIC CONTEXT

Georgia was hit by a sharp decline in trading partner's growth in 2014. It weathered the crisis relatively well by allowing the ER to absorb the shock, but economic growth slowed. Since 2017 economic performance has been satisfactory. In 2018 growth was resilient –4.7 percent– despite economic turbulence in Turkey and a softening external environment and is projected to be 4.6 percent in 2019 despite the ban on direct flights from Russia slowing tourism revenue growth. Headline inflation accelerated to 7 percent in 2019, reflecting excise tax increases and nominal depreciation, significantly above the central bank's medium-term inflation target of three percent. The central bank has been increasing policy rates to keep inflation expectations anchored around the target. The current account deficit narrowed to 6.8 percent of GDP in 2018, which remains mostly financed by FDI. Georgia is a highly-dollarized economy. External debt is high (103 percent of GDP in 2018), although most of it is concessional, and increased significantly after 2014 mostly due to the depreciation of the lari against the dollar. Over the medium term, economic performance will be supported by investment, private consumption, and exports; structural reforms will support higher productivity growth.

The authorities' reform program, supported by the EFF, aims to strengthen financial stability, reduce external imbalances, enhance fiscal credibility, increase infrastructure investment, and undertake structural reforms. The program envisages: fiscal consolidation over the medium term anchored debt at about 45 percent of GDP, while shifting spending from current toward capital to address infrastructure bottlenecks; structural reforms aimed at promoting savings, private sector investment, and improved competitiveness, including by reforming the education system; and, unlocking bilateral and multilateral support to help finance infrastructure investment and build foreign exchange reserves over the program period.

KEY POLICY RECOMMENDATIONS

Macro Frameworks. As part of the Netherlands-funded project on Strengthening Macroeconomic Management in Armenia and Georgia, ICD has provided in-house customized training to the staff from the Ministry of Finance (MoF) and other agencies on developing and using model-based frameworks for fiscal policy analysis (FPA). ICD helped MoF staff develop a fully operational structural DSGE model for the Georgian economy, which has been used for scenario analysis in the MoF policy discussions. The MoF would like to use the model for forecasting, and ICD has provided some training on this. The project ends in April 2020, and the authorities have expressed their strong interest in continuing this CD support. A second phase of the project could help strengthen the capacity of the MoF staff in using the model for FPA and forecasting, and reinforce the institutional impact of CD by focusing on how to incorporate this model-based analysis more systematically into their budget formulation process or as a supporting tool of a Medium-Term Fiscal Strategy, in line with the authorities' plans.

Fiscal policy —fiscal consolidation while creating space for investment in infrastructure and social spending. The authorities' program aims to reduce current spending as well as increase revenues to create space for public investment. The cuts include better management of the wage bill, efficiency gains in current spending, and new spending controls on local governments. Efforts to increase efficiency in public healthcare spending are designed not to undermine adequate healthcare coverage, especially for the most vulnerable. On the revenue side, the government has increased taxes to offset revenue losses from the corporate income tax reform and partly finance additional capital spending and is implementing revenue administration reforms. The authorities are committed to take additional measures, if needed, to meet the fiscal targets. Revenue administration operations and organization need strengthening to increase the effectiveness of revenue mobilization. Reforms to improve fiscal governance, PFM institutions, and management of fiscal risks (SOEs/PPPs) and prepare and publish financial statements in line with international standards are also underway.

Monetary and ER policies —enhancing the inflation targeting framework and continued ER flexibility. The NBG remains committed to price stability and to ER flexibility. Inflation is monitored regularly, with a view to ensuring consistency with the NBG's medium-term inflation targets. The NBG will continue allowing the ER to adjust with market conditions, limiting FX intervention to limit excessive volatility in the ER and/or build up international reserves. The NBG continues improving liquidity management and strengthening monetary policy operations, including by improving its communication.

Financial sector policies —strengthening financial sector resilience. The authorities have reaffirmed the independence of the NBG in conducting its financial stability mandate. In line with the IMF's Financial Sector Assessment Program (FSAP) recommendations, the NBG has introduced limits on loan-to-value and payment-to-income ratios for mortgages, with more stringent limits on loans denominated in foreign currency. The program will also strengthen safety nets and the resolution framework, enhance the lender of last resort framework, improve supervision and incorporate macroprudential policy in the financial toolkit.

Structural reforms. Structural reforms will promote job creation, economic diversification, and higher and more inclusive growth. Capital market development, together with pension reform, will mobilize domestic savings and support private sector investment. Education reform will increase productivity and adapt skills to labor market demands. Enhancing governance and competition will help advance the economy toward emerging market status.

COUNTRY BACKGROUND – KAZAKHSTAN

OVERVIEW

Kazakhstan is the 9th largest country in the world by area, with a relatively small population—18 million. It is the leading economy in the CCAM region, with substantial natural resource endowments. It is a major oil producer and ranks among the world's top five countries in terms of reserves of chrome, uranium, manganese, lead, and zinc. About 16 percent of the gross value added is generated in mining, and oil exports comprise nearly half of Kazakhstan's total exports.

Rising oil prices and high economic growth in the decade prior to the 2008-09 global financial crisis helped Kazakhstan achieve middle income status, with PPP GDP per capita more than doubling. However, dependency on commodities was not reduced, and vulnerabilities were exposed when Kazakhstan was hit by a sharp decline in oil prices in 2014-15. These caused a significant slow-down in growth and triggered important policy changes. The authorities' response included a large fiscal stimulus program ("Nurly Zhol') of 9 percent of GDP over 3 years and an overhaul of the monetary and ER framework, including adoption of a flexible ER and inflation targeting.

MEDIUM-TERM MACROECONOMIC CONTEXT

The Kazakhstan economy has largely recovered from the 2014-15 shocks, although growth continues to be affected by oil sector developments. In 2019, non-oil growth was strong—over 5½ percent, exceeding estimated potential growth of 4 percent. A continuing objective is to make growth more diversified, inclusive, and private-sector led, and sustainable. Diversification is key—exports remain concentrated in natural resources and agriculture, continuing to expose Kazakhstan to commodity price movements. These have implications for monetary and fiscal policies through ER and revenue volatility. Fiscal consolidation is needed to reduce the non-oil deficit to levels compatible with ensuring strong buffers and savings in the national oil fund (NFRK). Monetary policy effectiveness also needs to be improved, including by addressing continuing issues in the banking sector.

KEY POLICY RECOMMENDATIONS

Macro Frameworks. Further strengthening is needed in terms of institutional arrangements, analytical capacity, and internal and external communications in connection with the macroframework. This will involve developing additional sources of data and information and analytical tools and improving practices—in the Ministry of Finance, the Ministry of National Economy, and the National Bank of Kazakhstan (NBK).

Fiscal policy. A credible medium-term consolidation plan and improvements to the fiscal framework are needed, with clearly-specified revenue and expenditure measures. The tax structure should be adjusted to strengthen contributions from the non-oil sector. There is scope for raising additional revenue from improvements in VAT, eliminating tax exemptions, and improving the functioning and enhancing progressivity of personal income taxation. Revenue administration operations and organization need strengthening to increase the effectiveness of revenue mobilization. Further efforts are needed to improve the efficiency and effectiveness of government spending, particularly in health and education. Improvements in PFM institutions, fiscal governance and transparency, and the quality of financial reporting are needed. The fiscal accounts should integrate extra-budgetary operations and be fully aligned with GFSM2014. Improved analysis, monitoring, and management of fiscal risks is also a priority. Strengthening staff analytical capacity and communications would help improve forecasting and policy decisions.

Monetary and ER policies. The NBK has been successful in bringing inflation to levels within the target band, although there have been pressures in 2019. The focus of monetary and ER policies should be on strengthening the inflation targeting (IT) framework, including through increasing central bank independence, further enhancing analytical capacity, and improving internal and external communications. A review of available instruments and actions to improve monetary operation would be beneficial. Further work is needed to gain more insight into the functioning of transmission channels and measures that could be taken to improve monetary policy transmission. Provided that interventions in the foreign exchange market are limited to dampen excessive volatility, a rules-based strategy for interventions could help the central bank in making and communicating informed decisions. Work should continue to strengthen the NBK's analytical capacity and communication toolkit.

Financial sector policy. The financial sector is still struggling with the legacy of the credit boom prior to the 2008-09 financial crisis when banks borrowed heavily from abroad to finance activity in the non-tradeable sector, especially construction. As global financial conditions tightened, access to financing was lost and the combination of deteriorating macroeconomic conditions, falling asset prices and large unhedged FX borrowing triggered a sharp increase in NPLs. Difficulties were exacerbated by the 2015-16 slowdown and currency depreciation. Efforts to address bank weaknesses over the past decade were not successful, underscoring gaps in regulation, supervision, and bank governance. However, an external asset quality review (AQR) was launched in mid-2019 and could provide the basis for a decisive improvement. An independent regulator is being established in 2020; the new agency will remain in Almaty following a split of the NBK and movement of the central bank to Nur-Sultan. Looking ahead, the focus of financial sector policies should be to assess and strengthen asset quality and capital, improve regulation and supervision, and address emerging issues such as cybersecurity, fintech, virtual currencies, and corresponding banking relations. In addition, efforts are needed to promote the development and deepening of financial markets and improve access to financial services, especially in rural areas and for disadvantaged groups.

Structural reforms. Reducing dependency on the extractive sector requires a dynamic private sector operating in a stable, business-friendly environment. This will require reducing significantly the state's footprint in the economy. Accordingly, it is important that the authorities' privatization program—especially for blue-chip state-companies in energy, communications, and transportation—is carried out without delays and in a way that leads to improved productivity and efficient allocation of resources. Government efforts should focus on establishing a level playing field, providing the necessary infrastructure, and promoting human capital development. Efforts are needed to improve transparency and governance and to reduce corruption. Actions to strengthen macroeconomic statistics will also be helpful.

COUNTRY BACKGROUND – KYRGYZ REPUBLIC

OVERVIEW

The Kyrgyz Republic is a Central Asia small open and low-income country, vulnerable to external shocks. It is landlocked with close economic ties with Russia, Kazakhstan and China. It has been a parliamentary republic since its independence from the former Soviet Union in 1991. The economy is small, undiversified, relying on remittances, gold and foreign aid, thus susceptible to external shocks. Trade and services have become increasingly prominent with the emergence of the cross-border shuttle trade. Exports consist mainly of gold and agricultural products. The poverty level is high because economic growth has not been sufficiently strong and inclusive over the last 20 years, which led to strong emigration, mostly to Russia. Remittances represent close to 30 percent GDP as of end-2018.

MEDIUM-TERM MACROECONOMIC CONTEXT

The Kyrgyz Republic faces several challenges, including keeping public finances on a sustainable path, strengthening financial sector stability and deepening the financial sector, diversifying the economy away from gold, decreasing the need for imports and expanding the export base, and reducing the dependence on remittances and external support, creating a business environment conducive to sustainable, inclusive and private sector-led growth.

KEY POLICY RECOMMENDATIONS

Fiscal policy. Establishing credible and policy-based medium-term budgeting to support fiscal consolidation and preparation of more realistic annual budget. Creating a sound and predictable revenue base by strengthening tax and customs administration, and better capturing imports from China. On the revenue side the focus should be on reducing tax exemptions, gradually raising excise rates to the level agreed with other members of the Eurasian Economic Union (EEU), phasing out the turnover (sales) tax that coexists with VAT, and reducing the rates of social contributions to reduce incentives to the informal economy. Revenue administration operations and organization should be strengthened to increase the effectiveness of revenue mobilization. On the spending side, reforming wage-bill management, streamlining spending on goods and services, strengthening investment management by improving prioritization, reducing energy subsidies, better targeting social assistance, and strengthening public procurement would generate expenditure savings and facilitate an increase in priority spending. The fiscal deficit should be fully aligned with GFSM and include on-lending to loss making SOEs as capital grants contributing to the deficit rather than as a financing item. Pursuing PFM reforms, including the implementation of a comprehensive Financial Management Information System (FMIS) would help enhance fiscal management, reporting and transparency. Strengthening public investment management by improving prioritization would contribute to better investment efficiency. There is also a need to strengthen processes for monitoring, managing and reporting fiscal risks.

Monetary and ER policies. The priority should be modernizing the monetary policy framework with the goal to gradually transition to an inflation targeting (IT) framework. The focus should be on continuing to improve monetary policy forecasting framework, enhancing the traction of policy rate, and adapting the communication strategy to an IT framework. Maintaining the two-way flexibility of ER and developing hedging instruments would help support the framework.

Financial sector policies. The authorities should strengthen the supervisory capacity of the central bank by continuing implementation of risk-based supervision, operationalizing the crisis preparedness framework, and improving stress test methodology. For strengthening financial sector stability, the focus should be on selling the commercial bank taken over by the central bank in October 2018, improving central bank governance, strengthening AML/CFT regulation and implementation in line with international standards, establishing an effective bank resolution framework, and gradually winding down the central bank quasi-fiscal activities. Financial stability would benefit from amendments to the banking law to prohibit central bank lending to non-supervised entities. Policy action is also needed to enhance financial inclusion and financial deepening.

Structural Reforms. Creating a level playing field for all businesses will require more decisive business environment and governance reforms. These are key to boost medium- and long-term growth prospects, promote diversification, increase FDI, and raise employment. In this context, it will be essential to constructively resolve disputes with foreign investors. The authorities should gradually raise energy tariffs for households and strengthening transparency and accountability in the energy sector. Sound feasibility studies will be instrumental in determining the economic viability of large-scale hydro-projects. The financing arrangements for these projects need to consider the impact on the country's debt sustainability outlook. Ensuring financial sustainability of the pension system over the medium-term and strengthening social protection and education should also be a priority.

COUNTRY BACKGROUND – MONGOLIA

OVERVIEW

Mongolia has strong economic potential but faces several challenges. The country has huge mineral wealth and potential for diversification into agribusiness and tourism and stands to benefit also from greater regional integration. It also has enormous reserves of coal, copper, gold and other important minerals. Mongolia's medium-term challenge is to harness its abundant natural resources to improve welfare in a sustainable and inclusive manner.

Mongolia has several unique features that shape its economy. Firstly, it is a transition economy, moving away from 70 years of socialist planning to a market economy in 1991. The legacy of the socialist period that marked the modernization of the economy still have important consequences. Secondly, it is landlocked between China and Russia. Most exports (around 90 percent) go to China whereas it is reliant on Russia for fuel. There are several historical legacies issues regarding the relationships with its neighbors that drive present policies. Thirdly, most exports are raw commodities with little value added and agriculture has yet to be commercialized.

MEDIUM-TERM MACROECONOMIC CONTEXT

Mongolia's economy has recovered quickly from the 2016 downturn. Driven by a strong external environment and loose monetary policy, real GDP growth accelerated. The recovery contributed to improve the fiscal balance, reduce public debt, and accumulate gross international reserves. Despite the progress, buffers are still insufficient –net reserves are low and public and external debt are relatively high. Capital ratios in the banking sector remain below adequate levels. Building buffers is particularly important in Mongolia because the economy is highly vulnerable to external shocks with minerals accounting for over 90 percent of exports. In addition, Mongolia is facing a rising frequency and severity of climate disasters.

Currently, Mongolia has a three-year Extended Fund Facility (EFF) designed to stabilize the economy and lay the foundations for long term sustainable growth. The Fund approved the arrangement in May 2017 (for about US$425 million); it is supplemented by substantial donor support, for a total financing package of about US$5½ billion.

The 2017 Extended Fund Facility has made some progress in reducing core macro-vulnerabilities. To help Mongolia move away from a decade of boom and bust, the program had three core goals: restore fiscal sustainability, rebuild foreign exchange buffers, and ensure a well-capitalized and well-supervised banking system. While more work remains, there has been substantial progress on the first two. The combination of a massive fiscal correction, significant concessional financing from donors, and a recovery in GDP have helped reduce public debt by about 15 percentage points of GDP and significantly improve projections going forward. Gross foreign exchange reserves have increased by about US$3 billion during the program period. Going forward, a key priority is maintaining sufficiently tight policies to generate the fiscal surpluses and modest current account deficits necessary to bring down public and external debt to safe levels.

KEY POLICY RECOMMENDATIONS

Fiscal policy. While Mongolia has a Fiscal Stability Law (FSL) that calls for surpluses in normal times with a maximum deficit of 2 percent of GDP, has a mandated debt ceiling and a medium-term budget framework, compliance with the FSL has been weak. Under the EFF, fiscal policy has tightened significantly, reversing the bad debt dynamics. Expenditure restraint and revenue increases supported improvements in the primary balance. Efforts to strengthen tax collections, including through implementation of comprehensive compliance improvement strategies, continue. A sovereign wealth fund (SWF) was recently established. Enhancing the coverage and quality of fiscal reports and strengthening fiscal risk management would help improve fiscal accountability and sustainability.

Monetary and ER policies and operations. The monetary and ER framework is in transition and needs to be strengthened. Formally, the ER is flexible, and the central bank targets a policy rate; however, the ER is targeted to control inflation and confidence. An inflation-lite approach would require a stronger banking system, the establishment of a proper yield curve through money and capital markets development. The central bank introduced macroprudential measures starting 2019 and has acted to lower dollarization.

Financial sector policies. The banking sector has fragilities and supervision has been weak. The system is relatively small, with no foreign banks in the system. Asset quality remains inadequate. Many banks are making losses and are under-provisioned, putting pressure on capital adequacy. As part of the EFF, the central bank conducted an Asset Quality Review –it found that several banks needed capital injections. The required recapitalization process has been slow and is still ongoing. Regulatory forbearance has been widespread, and the central bank is slowly moving to a more risk-based supervisory approach but has limited capacity. Mongolia faces AML/CFT related challenges, related to cross border banking activities and correspondent banking arrangements.

Structural Reforms. The Fund supported program lays the foundation for sustainable and inclusive growth by addressing longstanding structural weaknesses in the economy. Ending the boom-bust cycle and putting the country on a sustainable and inclusive growth path remains a key objective. Reforms are needed to: (i) discipline fiscal policy and make it less procyclical; (ii) improve the BOM's governance and its focus on core responsibilities; (iii) strengthen the financial sector; (iv) foster economic diversification and inclusive growth; (v) implement AML/CFT actions in line with international standards; and (vi) protect the most vulnerable in society. A combination of macro stability, a competitive ER and judicious micro interventions would help diversification and job creation in areas such as agriculture and tourism.

COUNTRY BACKGROUND – TAJIKISTAN

OVERVIEW

Tajikistan has made considerable progress in reducing poverty in recent decades. Remittances (mostly from Russia) have led growth and helped lower the poverty rate from over 80 percent in 2000 to near 30 percent in 2016. Despite this progress, unemployment remains high. Public investment is inefficient while private investment lags. The country is classified as a fragile state, with weak institutional capacity and governance.

Public investment is a key driver of growth. The large Roghun dam is key to the authorities' development strategy. It is being built at a cost of nearly 50 percent of GDP and is expected to be completed over the next decade. It could help meet growing domestic energy demand and boost electricity exports. However, there is uncertainty over construction costs and power purchase agreements for exports. Other large projects that are underway in the SOE sector include construction of the Turkmenistan-China gas pipeline (included in the Belt and Road Initiative) and modernization of the TALCO aluminum plant. Reforms for the financial recovery of Barki Tojik (BT), the state-owned energy company, are ongoing.

Tajikistan is considered to be at high risk of debt distress. Public debt has risen in recent years as a share of GDP owing to Borrowing for Roghun, currency depreciations, and bank bailouts.

The banking sector is recovering after the 2015-16 crisis but remains under stress. Following the large currency depreciation in 2015-16, several banks failed, in part due to high dollarization and weak governance. Despite massive bailouts, two large banks remain unviable and insolvent, leaving depositors with limited access to their deposits. The NBT has strengthened its supervisory and bank resolution frameworks but public confidence in banks remains low.

MEDIUM-TERM MACROECONOMIC CONTEXT

The outlook is challenging and subject to sizable downside risks. The growth model of reliance on public investment and remittances has yielded good outcomes over the past two decades but is not sustainable in an environment of slowing global growth. Future inclusive growth will need to rely on the private sector, but the weaknesses in the macroeconomic policy framework and public and financial sector balance sheets are key constraints. Improvements to economic governance and the business environment are needed to improve resource allocation and spur growth.

KEY POLICY RECOMMENDATIONS

Fiscal policy. Strengthen macro-fiscal capacity to better support fiscal analysis and policy-making as budget projections and data tend to be unreliable, making mid-year policy corrections difficult. Stronger capacity would also help the authorities better understand the macroeconomic effects of fiscal policy changes (e.g. tax incentives, salary increases, and capital spending). Tax reforms should broaden the tax base to increase revenue collections and facilitate fiscal consolidation, while gradually phasing out incentives and rationalizing the high tax rates. Revenue administration operations and organization need strengthening to increase the effectiveness of revenue mobilization. Fiscal consolidation should ensure debt sustainability and put public debt on a steady downward path over the medium term. Spending measures are needed to contain current and capital spending, while strengthening social-protection programs and improving the efficiency of spending. Fiscal risks from SOEs should be mitigated, including from quasi-fiscal activities and contingent liabilities. Borrowing should continue to be mainly on concessional terms. Development of domestic debt markets will help reduce the reliance on external financing over time. Fiscal data and transparency should be improved. Reforms to improve public investment management are a priority, including strengthening processes for project appraisal, selection, management, implementation, and evaluation. Greater transparency, oversight, and careful management of Roghun is important.

ER and Monetary Policies. Greater exchange rate flexibility is needed to facilitate adjustment to external shocks, help preserve buffers, and support growth. Barriers for banks and their customers to access FX should be removed and the ER should be market determined. Clear market-based procedures in the FX market would allow it to operate transparently in the transmission of price signals to the economy. Intervention should only be conducted when there is excessive market volatility. The authorities should move towards inflating targeting using reserve money as an interim anchor –while institutional capacity is strengthened, and domestic money and government debt markets are sufficiently developed to support a stronger monetary policy transmission mechanism. The liquidity forecasting framework should be developed further, including by publishing liquidity forecasts. The central bank communication toolkit should be strengthened, including related to monetary policy operations and objectives.

Financial Sector Policies. Efforts are needed to strengthen the financial regulatory and supervisory frameworks, including on banks governance to reduce risks from related party-lending. Strong implementation of the newly drafted regulations and guidelines is needed across all banks. Bank assets and liabilities should be accurately valued and reported in line with IFRS, and deficiencies addressed in a time-bound manner. The NBT should move towards risk-based supervision. There is a need to address insolvent banks while reimbursing insured depositors, and repair balance sheets of solvent banks.

Structural Reforms. Improvements in governance in core economic areas (e.g. rationalizing tax incentives and tax administration, public spending efficiency, SOE governance, FX market operations, financial sector and central bank governance) would improve the business climate and help boost prospects for sustainable growth. Stepped up anti-corruption efforts, including to improve the reliability and predictability of contract enforcement and further developing and mobilizing the AML/CFT framework would also stimulate market confidence and investment.

COUNTRY BACKGROUND – TURKMENISTAN

OVERVIEW

Turkmenistan is a transition economy in Central Asia, subject to strong control by the state; income per-capita is at US$7,065 and GDP at US$40.7 billion. It is a major natural gas exporter (gas accounts for more than 80 percent of exports). Lower hydrocarbon prices and slower growth in trade partners have reduced growth and contributed to sizable external deficits during 2014-17.

The authorities have started adjusting to lower hydrocarbon prices. The measures adopted so far include public investment cuts, a step devaluation of the currency, and subsidy reforms. The authorities also intensified foreign exchange controls and shortages of foreign exchange emerged. This resulted in a sharp reversion of the external position in 2018

MEDIUM-TERM MACROECONOMIC CONTEXT

The macroeconomic outlook will remain constrained by large current account deficits, with risks tilted to the downside stemming from possible lower-than-expected return on past investment, rising external financing costs, and geopolitical and regional uncertainties. The expectation for persistently lower oil and natural gas prices, combined with substantial currency overvaluation and the authorities' growth and development visions, imply that further efforts would be needed to reduce the external imbalances through a combination of policies that lower aggregate demand.

KEY POLICY RECOMMENDATIONS

Achieving the authorities' development goals without widening external imbalances requires improving competitiveness and currency convertibility, while further moderating public investment and credit growth. Reform of the exchange rate system to correct the currently sizeable currency misalignment and more flexibility of exchange rate movements are needed to allow adjustments to shocks. Policy adjustment measures should be carefully sequenced, while protecting the vulnerable segments of the population.

Accelerating market-oriented reforms and building human capital are crucial to sustain and diversify economic growth and make it more inclusive. Key steps include privatizing state-owned enterprises, promoting competition, enhancing the rule of law, and reducing red tape. Consideration should be given to phase-out import-substitution, reduce credit market distortions, and improve education and health systems.

Better policy frameworks, including for management of public finances, debt, and investment, would improve policy effectiveness. It would be important to enhance fiscal transparency, including in the SOE sector, digitalize PFM functions, and strengthen public investment management, including project appraisal, selection, management, implementation, and evaluation. It would also be important to implement the provisions of the new Budget Code, including the introduction of medium-term budgeting. Prudential regulation and supervision of banks should be strengthened and aligned with international standards to preserve financial stability and integrity. Improving governance further would reduce corruption risks as well as improve business and investment climate.

Further improvements in the availability, quality, and reliability of the economic statistics produced by official institutions and greater transparency in data and government regulations are crucial to encourage private investment and improve access to financing alongside supporting decision-making and credibility.

COUNTRY BACKGROUND – UZBEKISTAN

OVERVIEW

Since late 2017, the government of Uzbekistan has embarked on once in a generation economic and social reforms. Significant actions include: i) liberalizing the foreign exchange regime and floating and unifying the ER; ii) implementing major tax policy and administration reforms aimed at promoting private sector growth and reducing the tax burden on labor; (iii) overhauling economic statistics (BOP, debt, fiscal, GDP, and labor) and increasing transparency (by joining eGDDS and posting a national summary data page); and (iv) improving public governance and transparency. The reforms are fundamentally changing how the economy is run, transforming it from a state-led economy to more market-based system.

MEDIUM-TERM MACROECONOMIC CONTEXT

Faced with a vast structural reform agenda, the authorities want to prioritize reforms that address the economy's most pressing economic distortions. The goal of the broader reform agenda is to increase the economy's potential to create jobs and growth. The main near-term macroeconomic risk is a credit boom that could generate excessive external deficits and raise inflation. A tight monetary stance, moderate fiscal deficits, and exchange rate flexibility are needed to maintain macroeconomic stability. The authorities need to slow credit growth significantly to assure external and internal balance. While near-term debt indicators are moderate, a medium-term risk is excessive public and private external borrowing that raises debt levels.

KEY POLICY RECOMMENDATIONS

Macro Frameworks. The key priority is to develop a full set of consistent external, government and real sector statistics. The authorities have expressed interest in CD support on macro framework development, modeling, and forecasting. ICD has proposed to focus initially on enhancing policy analysis and interagency coordination, through the creation of a joint working group comprising members from all relevant agencies, under the leadership of the Ministry of Finance, to develop a common macro framework and joint macro forecasts based on an FPP2.0 Pillar 1 framework. The project would refine forecasting techniques, including simple behavioral equations, enhancing baseline and scenario analyses, and institutionalizing processes for regular interactions at peer and management level and creating open communication channels between the working group and decision makers. Structured training of an interagency team of staff tasked with developing and maintaining the macroeconomic framework could complement the project, including through JVI training courses and additional in-country training.

Fiscal Policy. The authorities should bring all fiscal activities on-budget and maintain the overall fiscal deficit (including policy lending) at or below two percent of GDP. They should also reduce directed lending at subsidized interest rates. Targeted support may be needed to those, such as the poor, who are especially vulnerable to high inflation and currency depreciation. The state of the SOE sector is also a key concern, with possible adverse fiscal implications. The ongoing tax policy and revenue administration reforms need to be sustained. Tax administration reforms should focus on the restructure of the field office network, compliance risk management, the transformation of business processes and renewal of IT, and the professionalization of the workforce. In terms of PFM reforms, the authorities need to improve fiscal reporting in line with international standards, strengthen the budget preparation process and public investment management, and establish a framework for the monitoring and management of fiscal risks.

Monetary and ER Policies. The central bank's policy tools have limited impact on monetary and credit conditions and need to be developed further. The central bank is developing its monetary policy instruments and FX-market and expects to implement inflation targeting by 2021. In this context, the authorities should make significant efforts to increase the operational capabilities of the central bank, in terms of standard monetary policy operations.

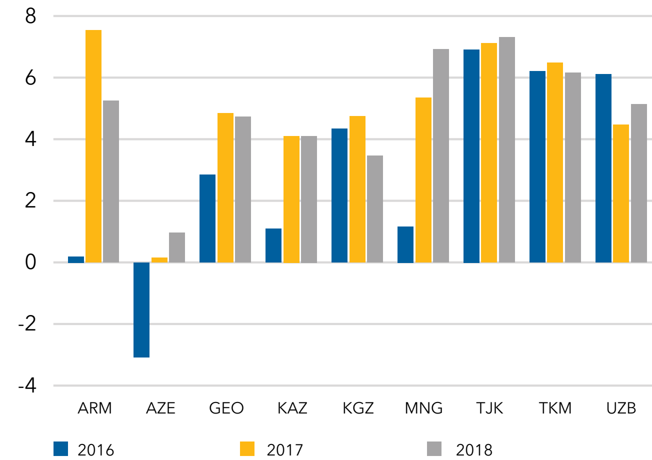
Financial Sector Policies. The current fast credit growth is a risk that needs to be addressed. The banking system remains heavily shaped and directed by the state, limiting the effectiveness of macroprudential policies. While reported FSIs indicate strong buffers, balance sheets are affected by SOEs FX loans and by policy-based lending. In this context, the authorities are designing a strategy to reform the financial sector, as well as creating mechanisms to contain directed lending.

Structural Reforms. Prioritizing Uzbekistan's vast structural reform agenda is challenging. While reforms are needed across all policy areas, the focus should be on (i) alleviating resource constraints, especially for skilled labor, energy, land, and finance; (ii) lowering business costs, especially burdensome taxes and customs procedures; and (iii) addressing public governance weaknesses, especially fighting corruption while improving public administration, courts, and regulation. The government is currently in the process of reforming state enterprises and is continuing to implement price liberalization.

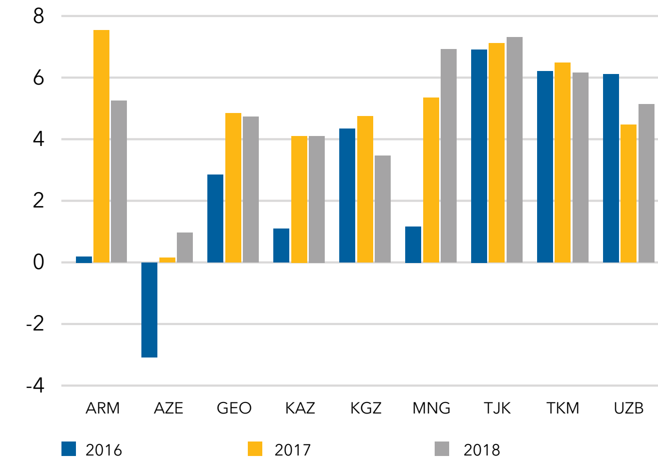
Annex III. Selected Macroeconomic Indicators

FIGURE 1: CCAM SELECTED INDICATORS

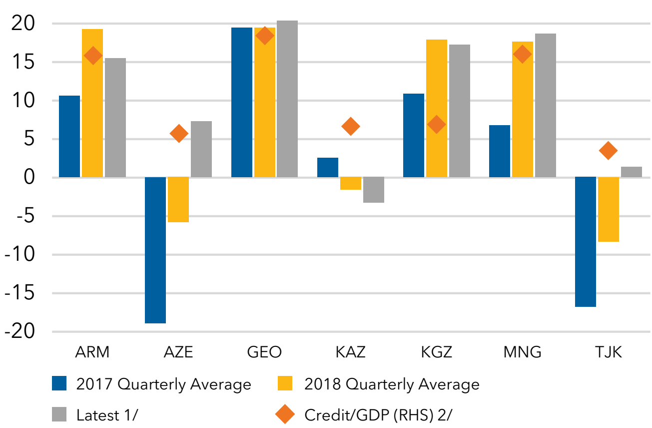
REAL GDP GROWTH
(Percent, year-over-year)



REAL GDP GROWTH
(Percent)



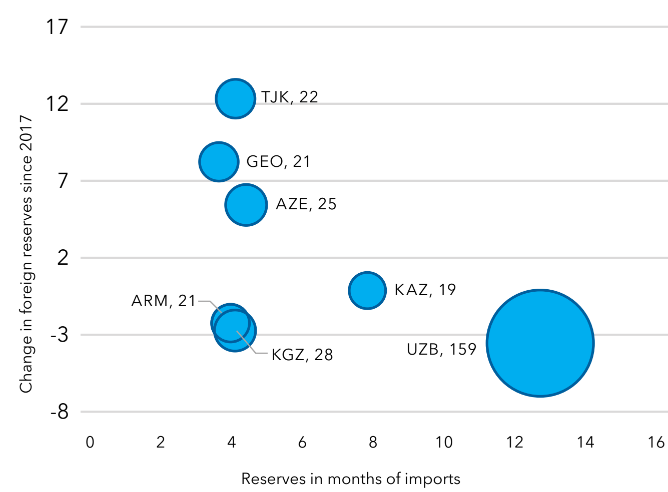
CREDIT TO THE ECONOMY
(Quarterly, year-over-year percent change)



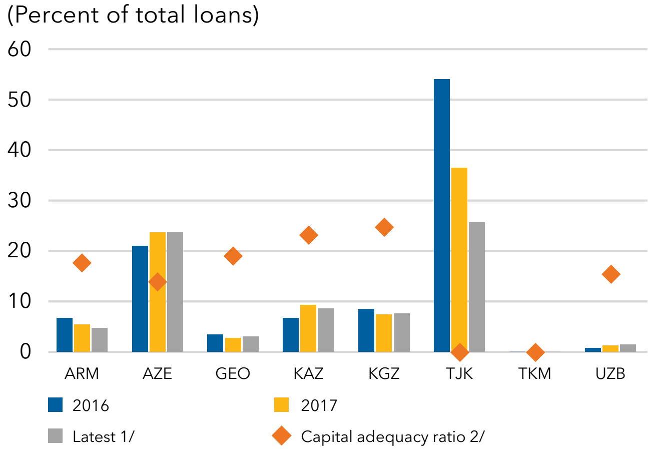
1/ All latest values are 2019Q1 except for TJK (2018Q4). Excluding TKM and UZB for lack of sufficient data.

2/ Credit from 2018Q4 value.

GROSS FOREIGN RESERVES, 2018
(Percent, bubble size: reserves as a percent of external debt)



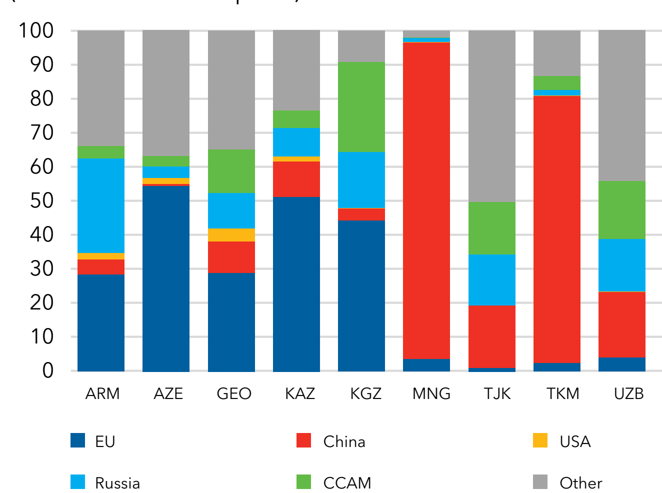
NONPERFORMING LOANS
(Percent of total loans)



1/ All latest values from 2019Q1 except: ARM (2018Q4), AZE (2017Q2), TKM (2018Q2).

2/ All CAR values from 2019Q1 except: ARM (2018Q4), AZE (2017Q2), TKM (2018Q2).

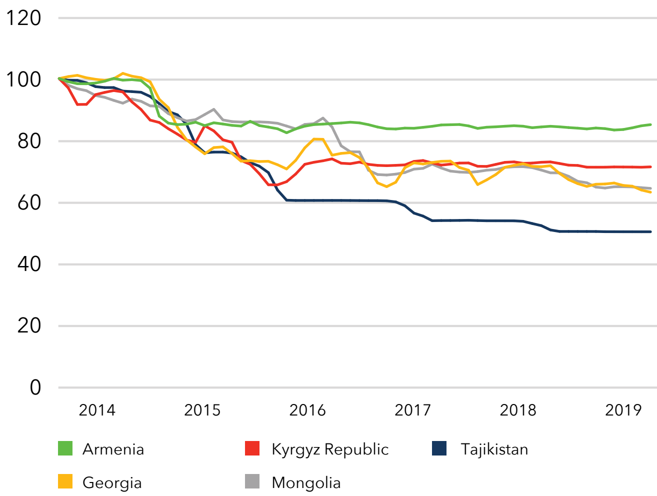
CCAM EXPORTS BY DESTINATION
(Percent of world exports)



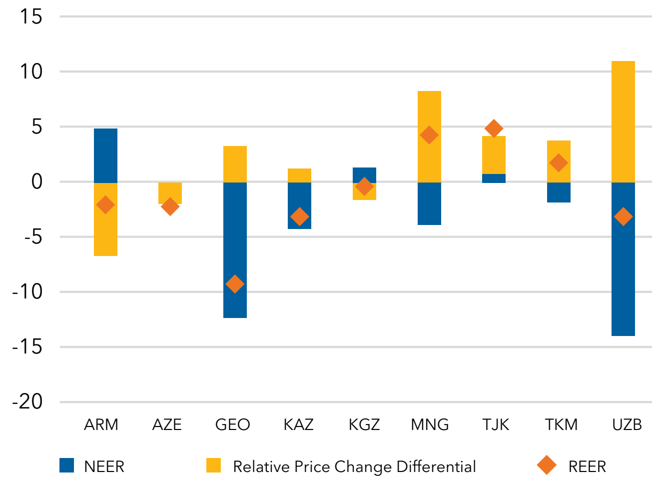
Sources: National authorities and IMF staff estimates.

FIGURE 2: CCAM SELECTED INDICATORS

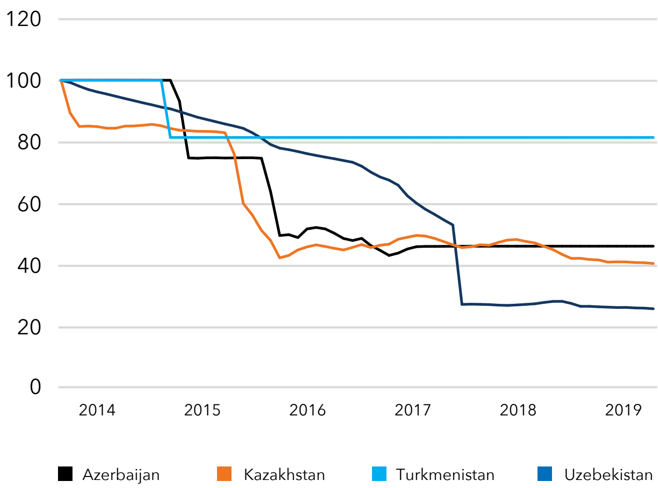
EXCHANGE RATES IN OIL IMPORTING CCAM
(USD/LCU, Index, Jan 2014 = 100)



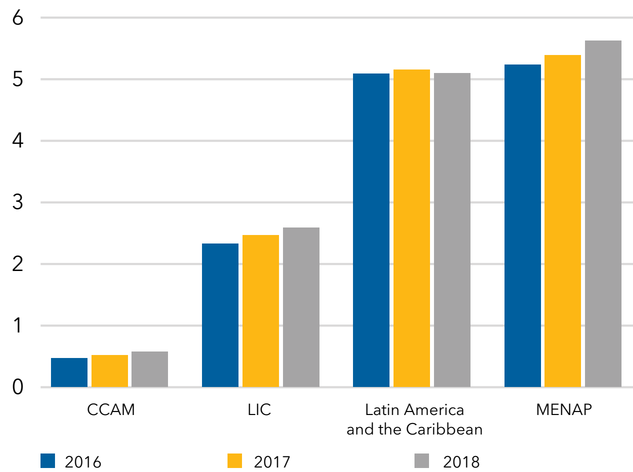
CONTRIBUTIONS TO CHANGES IN REER
(Percent change from July 2018 to July 2019)



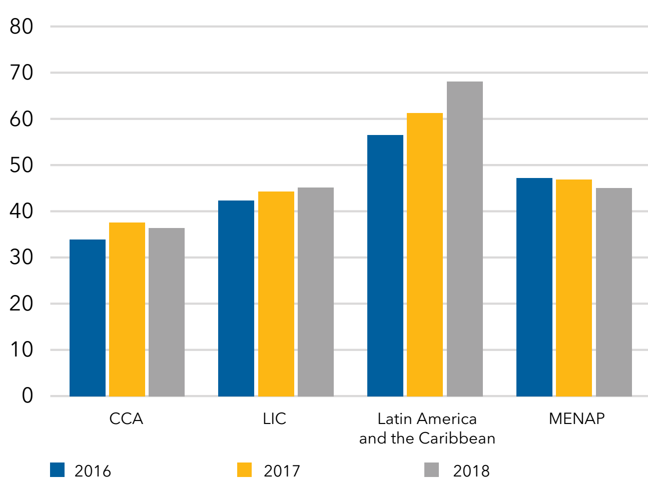
EXCHANGE RATES IN OIL EXPORTING CCAM
(USD/LCU, Index, Jan 2014 = 100)



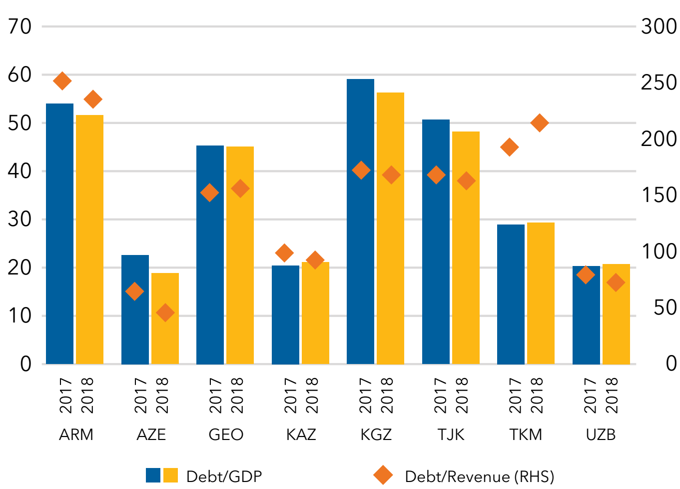
EXPORTS OF GOODS AND SERVICES BY REGION
(Share of world exports)



GOVERNMENT GROSS DEBT BY REGION
(Percent of GDP)



CCA: PUBLIC DEBT
(Percent)



Sources: National authorities and IMF staff estimates.

TABLE 1: CCAM SELECTED INDICATORS

Selected Macroeconomic Indicators, 2010 - 2022														
		2010	2011	2012	2013	2014	2015	2016	2017	2018	Projections			
											2019	2020	2021	2022
Armenia		(Year-over-year percent change)												
	Real GDP Growth	2.2	4.7	7.1	3.3	3.6	3.3	0.2	7.5	5.2	6.0	4.8	4.5	4.5
	CPI Inflation	7.3	7.7	2.5	5.8	3.0	3.7	-1.4	1.0	2.5	1.7	2.5	3.3	4.0
	M2 growth	10.6	23.6	19.6	15.2	7.9	10.8	17.5	18.5	7.4	7.0	9.5	8.5	8.5
		(Percent of GDP)												
	Overall Fiscal Balance	-5.0	-2.9	-1.5	-1.6	-1.9	-4.8	-5.6	-4.8	-1.8	-1.5	-2.2	-1.9	-1.9
	Government Revenue	21.2	22.1	20.9	22.2	22.0	21.5	21.4	21.2	21.6	23.5	23.9	23.8	24.0
	Government Expenditure	26.2	25.0	22.4	23.8	24.0	26.3	27.0	26.0	23.5	25.0	26.1	25.7	25.9
	Current Account Balance	-13.6	-10.4	-10.0	-7.3	-7.6	-2.6	-2.3	-2.4	-9.4	-7.4	-7.4	-7.0	-6.5
	External Debt	64.6	74.1	70.5	77.3	81.0	84.2	92.9	89.0	84.8	84.7	84.8	84.2	83.2
Azerbaijan		(Year-over-year percent change)												
	Real GDP Growth	4.8	-1.6	2.2	5.8	2.8	1.0	-3.1	0.2	1.0	2.7	2.1	2.1	2.2
	CPI Inflation	5.7	7.8	1.0	2.4	1.4	4.0	12.4	12.8	2.3	2.8	3.0	3.2	3.3
	M2 growth	24.3	32.1	20.7	15.4	11.4	-1.3	-1.9	9.0	5.7	9.3	5.7	6.0	6.2
		(Percent of GDP)												
	Overall Fiscal Balance	13.8	10.9	3.7	1.6	2.7	-4.8	-1.1	-1.4	5.6	5.3	3.2	2.6	2.0
	Government Revenue	45.8	44.6	40.3	39.4	39.1	33.9	34.3	34.2	38.8	40.0	37.7	37.1	35.9
	Government Expenditure	32.0	33.7	36.6	37.8	36.4	38.7	35.4	35.6	33.1	34.7	34.4	34.4	34.0
	Current Account Balance	28.4	26.0	21.4	16.6	13.9	-0.4	-3.6	4.1	12.9	9.7	10.0	7.6	6.8
	External Debt	16.5	15.2	13.3	14.9	22.0	53.9	55.4	53.3	47.3	49.8	49.9	49.0	47.8
Georgia		(Year-over-year percent change)												
	Real GDP Growth	6.2	7.2	6.4	3.4	4.6	2.9	2.8	4.8	4.7	4.6	4.8	5.0	5.2
	CPI Inflation	7.1	8.5	-0.9	-0.5	3.1	4.0	2.1	6.0	2.6	4.2	3.8	3.0	3.0
	M2 growth	23.9	20.3	11.4	24.4	13.8	19.2	20.4	14.8	14.0	17.8	14.2	10.8	9.5
		(Percent of GDP)												
	Overall Fiscal Balance	-4.5	-1.1	-1.0	-1.4	-2.7	-2.7	-3.0	-2.9	-2.5	-2.6	-2.7	-2.8	-2.9
	Government Revenue	28.3	28.2	28.8	27.5	28.0	28.1	28.3	29.2	28.6	28.3	28.0	27.9	28.0
	Government Expenditure	33.1	29.1	29.6	28.9	29.9	29.4	29.9	29.7	29.5	30.1	30.0	30.1	30.2
	Current Account Balance	-10.3	-12.8	-11.9	-5.9	-10.8	-12.6	-13.1	-8.8	-7.7	-5.9	-5.8	-5.7	-5.6
	External Debt	65.2	60.6	66.2	68.6	69.5	91.0	103.0	100.5	100.0	106.3	106.2	103.1	102.9

Sources: National authorities and IMF staff estimates.

Selected Macroeconomic Indicators, 2010 - 2022

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Projections			
											2019	2020	2021	2022
Kazakhstan		(Year-over-year percent change)												
	Real GDP Growth	7.3	7.4	4.8	6.0	4.2	1.2	1.1	4.1	4.1	3.8	3.9	3.7	3.3
	CPI Inflation	7.1	8.4	5.1	5.8	6.7	6.7	14.6	7.4	6.0	5.3	5.2	4.6	4.5
	M2 growth	13.3	15.0	7.9	10.2	10.4	33.8	15.6	-1.7	7.0	-0.6	4.5	5.2	4.9
		(Percent of GDP)												
	Overall Fiscal Balance	1.4	5.8	4.4	4.9	2.4	-6.3	-4.5	-4.4	2.6	0.3	0.0	0.0	-0.1
	Government Revenue	23.9	27.0	26.3	24.8	23.7	16.6	17.0	20.3	22.2	21.0	21.1	21.1	21.1
	Government Expenditure	22.5	21.2	21.9	19.8	21.3	22.9	21.5	24.7	19.5	20.6	21.1	21.1	21.1
	Current Account Balance	0.9	5.3	1.1	0.8	2.8	-3.3	-5.9	-3.1	0.0	-1.2	-1.5	-1.8	-1.9
	External Debt	79.9	65.7	66.3	64.0	72.4	127.0	115.9	104.7	102.3	92.7	88.3	83.8	80.0
Kyrgyz Republic		(Year-over-year percent change)												
	Real GDP Growth	-0.5	6.0	-0.1	10.9	4.0	3.9	4.3	4.7	3.5	3.8	3.4	3.8	4.6
	CPI Inflation	8.0	16.6	2.8	6.6	7.5	6.5	0.4	3.2	1.5	1.3	5.0	5.0	5.0
	M2 growth	21.1	14.9	23.8	22.8	3.0	14.9	14.6	17.9	5.5	6.1	12.2	13.9	15.9
		(Percent of GDP)												
	Overall Fiscal Balance	-5.9	-4.7	-5.9	-3.7	-3.4	-2.7	-6.4	-4.6	-1.3	-2.7	-3.0	-3.0	-3.0
	Government Revenue	31.2	32.7	34.7	34.4	35.6	35.6	33.5	33.7	32.8	33.3	32.5	32.6	32.5
	Government Expenditure	37.1	37.4	40.6	38.1	39.0	38.3	39.9	38.3	34.1	36.0	35.5	35.6	35.5
	Current Account Balance	-6.6	-7.7	-15.5	-13.9	-17.0	-15.9	-11.6	-6.2	-8.7	-10.0	-8.3	-7.6	-7.3
	External Debt	93.6	76.9	79.8	82.2	93.6	117.6	99.3	91.0	85.6	85.9	83.4	80.7	78.1
Mongolia		(Year-over-year percent change)												
	Real GDP Growth	7.3	17.3	12.3	11.6	7.9	2.4	1.2	5.3	6.9	6.5	5.4	5.1	5.6
	CPI Inflation	10.3	7.7	15.0	8.6	12.9	5.9	0.5	4.6	7.6	9.0	8.3	7.5	7.0
	M2 growth	62.5	37.0	18.7	24.2	12.5	-5.5	21.0	30.4	22.8	25.4	13.4	12.9	12.9
		(Percent of GDP)												
	Overall Fiscal Balance	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Government Revenue	32.0	33.9	29.8	31.2	28.4	25.8	24.4	28.5	31.4	30.9	30.2	30.2	29.9
	Government Expenditure	31.6	37.9	36.1	32.2	32.1	30.8	39.7	32.3	28.7	30.4	31.0	32.4	31.8
	Current Account Balance	-13.0	-26.5	-27.4	-25.4	-11.3	-4.0	-6.3	-10.1	-17.0	-14.4	-12.4	-11.3	-9.5
	External Debt	76.3	102.0	128.3	164.6	177.9	186.2	284.8	234.1	224.6	208.2	194.1	179.8	161.5

Selected Macroeconomic Indicators, 2010 - 2022

		2010	2011	2012	2013	2014	2015	2016	2017	2018	Projections			
											2019	2020	2021	2022
Tajikistan		(Year-over-year percent change)												
	Real GDP Growth	6.5	7.4	7.5	7.4	6.7	6.0	6.9	7.1	7.3	5.0	4.5	4.5	4.5
	CPI Inflation	6.5	12.4	5.8	5.0	6.1	5.8	5.9	7.3	3.8	7.4	7.1	6.7	6.5
	M2 growth	18.6	33.1	19.6	19.7	7.1	18.7	37.1	21.8	5.1	11.3	11.5	11.0	10.5
		(Percent of GDP)												
	Overall Fiscal Balance	-3.0	-2.1	0.6	-0.9	-0.1	-2.0	-9.0	-6.0	-2.8	-4.0	-3.0	-3.0	-3.0
	Government Revenue	23.2	24.9	25.1	26.9	28.4	29.9	29.9	29.7	29.1	27.8	28.1	28.1	28.1
	Government Expenditure	26.1	27.0	24.5	27.8	28.5	31.9	38.9	35.6	31.9	31.8	31.1	31.1	31.1
	Current Account Balance	-10.3	-6.3	-9.0	-10.4	-3.4	-6.1	-4.2	2.2	-5.0	-5.8	-5.8	-5.7	-5.6
	External Debt	51.6	49.6	46.5	42.6	44.3	58.2	61.5	73.4	71.9	70.2	70.3	71.0	71.8
Turkmenistan		(Year-over-year percent change)												
	Real GDP Growth	9.2	14.7	11.1	10.2	10.3	6.5	6.2	6.5	6.2	6.3	6.0	5.8	5.9
	CPI Inflation	4.4	5.3	5.3	6.8	6.0	7.4	3.6	8.0	13.2	13.4	13.0	8.0	6.0
	M2 growth	43.4	36.3	35.6	31.2	11.4	16.1	9.4	11.4	8.4	8.6	16.7	11.4	9.2
		(Percent of GDP)												
	Overall Fiscal Balance	2.0	3.6	7.5	1.5	0.9	-0.7	-2.4	-2.8	-0.2	-0.1	-0.3	-0.6	-0.7
	Government Revenue	15.8	18.3	22.2	18.4	17.9	16.6	11.7	14.9	13.5	13.1	12.6	12.3	12.3
	Government Expenditure	13.8	14.6	14.7	16.9	17.0	17.3	14.1	17.8	13.7	13.2	12.9	12.9	13.0
	Current Account Balance	-12.9	-0.8	-0.9	-7.3	-6.1	-15.6	-20.2	-10.3	5.7	-0.6	-3.0	-4.7	-6.0
	External Debt	4.0	10.0	18.1	20.0	16.8	21.8	23.1	25.1	25.4	27.1	26.6	27.2	28.8
Uzbekistan		(Year-over-year percent change)												
	Real GDP Growth	8.5	8.3	8.2	8.0	7.2	7.4	6.1	4.5	5.1	5.5	6.0	6.0	6.0
	CPI Inflation	12.3	12.4	11.9	11.7	9.1	8.5	8.8	13.9	17.5	14.7	14.1	10.6	8.6
	M2 growth	52.4	32.3	29.2	22.5	15.8	24.2	23.5	40.3	14.4	21.0	20.3	18.4	18.1
		(Percent of GDP)												
	Overall Fiscal Balance	2.7	6.1	6.6	3.0	2.7	1.1	1.6	1.8	2.2	0.6	0.4	0.3	0.1
	Government Revenue	30.4	31.5	32.5	29.1	28.3	25.6	25.4	24.7	27.9	25.4	25.4	25.6	25.8
	Government Expenditure	27.7	25.4	25.9	26.1	25.6	24.5	23.8	22.9	25.6	24.8	25.0	25.4	25.6
	Current Account Balance	5.8	4.8	1.0	2.4	1.4	0.6	0.4	2.5	-7.1	-6.5	-5.6	-4.8	-4.4
	External Debt	15.0	15.3	15.1	15.7	16.4	17.5	19.5	41.8	34.9	34.4	33.7	32.4	31.5

Annex IV. List of Development Partners and Capacity Development Providers[23]

	Macroeconomic Frameworks	Revenue Administration	Public Financial Management (including macro-fiscal)	Monetary and Financial Sector	Statistics
Armenia	NCPP	WB, USAID	WB, ADB, GIZ	WB	NCPP, WB SECO
Azerbaijan			WB, ADB, SECO, EU		Statistics Korea, EU, Statistics Poland
Georgia	NCPP	GIZ, USAID/ Governing for Growth	WB, ADB	NCPP	NCPP; Statistics Denmark (EU-financed Twinning project)
Kazakhstan		WB	ADB	WB, ADB	WB, ADB
Kyrgyz Republic		WB	WB	SECO, WB, EBRD	WB, GIZ, SECO
Mongolia		JICA	WB, ADB, JICA, KOICA, US Treasury	JICA, ADB, WB	ADB JSA3
Tajikistan		WB	WB, EU	SECO, WB, EBRD	WB, SECO
Turkmenistan					
Uzbekistan		WB, Russia, US Treasury OTA (in negotiation)	WB, ADB, UNDP, US Treasury OTA (in negotiation)	WB, EBRD, ADB	ADB, SECO

Key to Partners:

- ADB–Asian Development Bank
- EBRD–European Bank for Reconstruction and Development
- EU–European Union
- GIZ– Deutsche Gesellschaft für Internationale Zusammenarbeit or German agency for international cooperation
- JICA–Japan International Cooperation Agency
- JSA–Japan Sub-Account at the IMF
- KOICA–Korea International Cooperation Agency
- NCPP–Netherlands Capacity Development Partnership Program
- SECO–Switzerland State Secretariat for Economic Affairs
- UNDP–United Nations Development Program
- USAID–U.S. Agency for International Development
- US Treasury OTA–U.S. Treasury Office of Technical Assistance
- WB–World Bank

[23] China is setting up a Regional Tax Centre in Almaty. UNCTAD is planning to set up a customs training center in Kazakhstan. The CAREC Institute based in Urumqi, China provides research and knowledge sharing to boost regional trade and connectivity.

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