Building Capacity in the Caucasus, Central Asia, and Mongolia

Highlights

Armenia · Azerbaijan · Georgia
Kazakhstan · Kyrgyzstan · Mongolia
Tajikistan · Turkmenistan · Uzbekistan

Dollarization in CCAM region: 2020

Norbert Funke, Director, CCAMTAC

With all seven resident advisors on board, in cooperation with IMF headquarters and short-term experts, regional capacity development (CD) and country-specific CD across all workstreams are taking shape. This newsletter covers activities between August and October 2021 and provides in the Appendix a summary of the recent and planned CD until the end of January 2022.

Country-specific CD supported members in the areas of macro-frameworks, budgeting, fiscal risks, organization of revenue administration, banking supervision, monetary operations, data production and provision in line with international standards. Regional workshops relating to dollarization, fiscal and debt reporting, and a webinar on online learning provided excellent opportunities for peer discussions and peer learning. In addition, CCAMTAC's new analytical / research seminar series, where country authorities present their country-specific or regional analytical work, has attracted strong interest. The series continued with impressive presentations on sterilized interventions and credit risk analysis and machine learning. We are always looking for volunteers to present. Please reach out to us if you are interested to present your analytical work.

The emerging post-Covid-19 challenges, coupled with ongoing transformational changes, are expected to keep demand for CD high, likely even intensify CD needs in the region. CCAMTAC's participation in selected meetings during the Annual Meetings provided an opportunity to exchange views. Important themes related to higher inflation, volatile energy prices, climate change, digitalization, reduced economic policy space, the need to diversify economies, and spur private sector-led growth. For a more in-depth analysis of the CCA region, the Regional Economic Outlook for the Middle East and Central Asia region (here) has been published last month. Mongolia is part of the REO for the Asia and Pacific region (here).

For background information on CCAMTAC, as well as an introductory overview presentation, please check our website at https://ccamtac.imf.org.

Norbert Funke, Director, CCAMTAC, nfunke@imf.org

CCAMTAC's development partners (external donors): Asian Development Bank, China, Korea, Poland, and Switzerland

Recent Activities by Workstream

Macroeconomic Frameworks:

Kazakhstan: Quarterly Projection Model - Re-calibration (October 25 – November 5, 2021). The CCAMTAC regional advisor together with a short-term expert has reviewed the forecasting performance of the core quarterly projection model of the National Bank of Kazakhstan and assisted in re-calibrating it. The mission discussed the transmission mechanism of major economic shocks, dominating the baseline forecast over the past two years, to help improve the baseline forecast story. The mission also identified priorities for further extensions to the projection model and further strengthening of the National Bank's Forecasting and Policy Analysis System.

Public Financial Management:

Armenia: Enhancing Budget Preparation, (July 26 – August 31, 2021). The team supported the Ministry of Finance of Armenia in piloting the revised distinction between mandatory and discretionary expenditures to programs implemented by the state entity. The mission also provided training to staff in using the methodology, which provides a more precise set of criteria to determine the mandatory categorization of program measures, such as (i) whether a service provided by the program measure is mandatory or discretionary; (ii) the degree of alignment with the government's strategic objectives; and (iii) the degree of expenditure flexibility in providing the service. A successful application of this methodology is expected to significantly reduce the share of mandatory expenditures in the state budget and, therefore, increase expenditure flexibility in the state budget.

Uzbekistan: Strengthening Fiscal Risk Management, (July 19 - August 12, 2021). CCAMTAC's public financial management advisor participated in a mission led by the Fiscal Affairs Department (FAD) headquarters on public-private partnership (PPP) and State-Owned Enterprise (SOE) fiscal risks, focusing on the disclosure of PPP fiscal risks. Uzbekistan has a policy of encouraging PPPs and requested FAD's CD to assist it to ensure that there are appropriate institutional and analytical frameworks to ensure that the fiscal risks of PPPs are controlled effectively.

Georgia: Further Developing Fiscal Risks Management, (September 9 – October 29, 2021). The technical assistance (TA) was delivered to support the Ministry of Finance of Georgia in the preparation of an enhanced Fiscal Risks Statement (FRS) to accompany the draft 2022 state budget. The main priority was to expand the FRS accompanying the 2022 budget, to include analysis of pandemic and climate change fiscal risks. The activities supporting these efforts included the application of the FAD's COVID-19 Fiscal Stress Test Module, as well as expanding disclosures in the other areas and restructuring the FRS's presentation to ensure consistency with the IMF's Fiscal Transparency Code's principles and make it more accessible to the public.

Tajikistan: Strengthening Fiscal Risks Management and Disclosure, (June 28 - September 7, 2021, extended). The mission is ongoing as it awaits the authorities' responses to the draft SOE Fiscal Risks Management Strategy (FRMS) 2022-2026, and the draft FRS prepared by the mission. In addition, the mission has been asked to lead a workshop for SOEs to train them in providing the data to enable the implementation of the recently approved methodology for establishing a buffer in the state budget to accommodate the materialization of SOE fiscal risks.

Monetary and Foreign Exchange Operations:

Kyrgyz Republic: Monetary Policy and Operational Framework (October 8 - November 8, 2021). The mission was a follow-up to the September–October 2020 mission. It assessed the progress the National Bank of the Kyrgyz Republic has achieved since previous IMF TA missions on the monetary policy framework, including liquidity management, monetary operation and instruments, inflation modeling and forecasting, and yield curve/debt issuance. The mission team discussed monetary operations and policy instruments relevant for inflation targeting and assessed the progress achieved on strengthening the transmission of the National Bank's monetary policy rate changes on market interest rates. The experts reviewed the calibration of the QPM, as well as tools and procedures used to forecast autonomous factors. The mission also focused on enhancing the National Bank's liquidity management through improved information exchange with the Ministry of Finance of the Kyrgyz Republic to facilitate cash flow projections for government transactions and commitments to implement a comprehensive strategy.

Regulation and Supervision:

Azerbaijan: **Strengthening Banks' Regulation and Supervision Frameworks** (September 27 – October 1, 2021). The purpose of the mission was to review the Central Bank of Azerbaijan's draft of risk management guidelines, including Market Risk Management Guideline and Operational Risk Management Guideline, and to provide recommendations to align them with international standards and principles, including requirements of Pillar 1 and 2 of Basel II/III risks.

Government Finance and Public Sector Debt Statistics

Armenia: Strengthening Government Finance Statistics (GFS) compilation and dissemination (September 27 – October 8, 2021). The mission continued previous work to support the Ministry of Finance of Armenia in compiling and finalizing the list of public sector units. The GFS experts reviewed the sectorization of units and advised on the best approach to sector classification for public sector non-profit organizations. Using the available summary data reports for 2020, the team compiled provisional GFS, broadly following the current compilation approach of the MoF. The mission also provided practical and tailored training with the objective of improving the capacity of the authorities to compile and disseminate GFS.
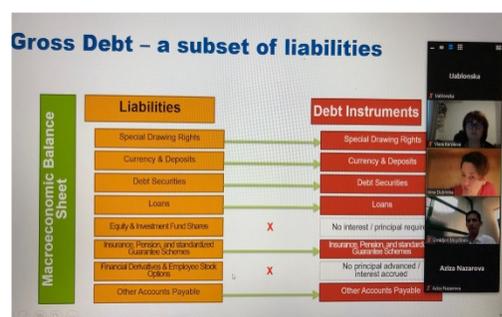
Uzbekistan: Building Capacity in Public Sector Debt Statistics (PSDS) (October 25 – November 5, 2021). Uzbekistan has benefited in past years from TA, provided by the IMF Statistics Department (STA) in close co-operation with the FAD, to improve fiscal reporting. This mission was focusing on PSDS and provided tailored hands-on technical training to staff from the Domestic and External Public Debt Department (DEPDD) of the Ministry of Finance of Uzbekistan. These training sessions were combined with TA to increase the capacity,

methodological knowledge, and technical skills in the practical compilation of data following the international statistical concepts and definitions described in the PSDS 2011 Guide. The TA team helped to identify differences between PSDS, based on the national definitions, and those in the Guide, and assisted the DEPDD in developing their plans to compile PSDS, which are compliant with the international statistical standards.

Real Sector Statistics:

Georgia: Price Statistics (October 4 - 8, 2021). The mission assisted the National Statistics Office of Georgia with continuing its modernization of the consumer price index (CPI) by developing scanner data. The mission addressed the loading, inspection, and processing of the raw data files, and the mapping of products to a national breakdown of the Classification of Individual Consumption According to Purpose 1999.

Kazakhstan: National Accounts (August 23 – September 3, 2021). A remote TA assisted the Bureau of National Statistics under the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan in (i) developing quarterly national accounts on a discrete basis; (ii) improving financial accounts; and (iii) improving the current method for compilation of changes in inventories. The mission reviewed the current state of discrete quarterly GDP compilation and gave recommendations to improve the accuracy of the quarterly national accounts estimates. With regards to financial accounts, the mission recommended that the Bureau reduces discrepancies between the financial and non-financial accounts, which are compiled by using different data sources.

Turkmenistan: National Accounts (September 6 - 10, 2021). During the mission, the State Statistics Committee of Turkmenistan was assisted in populating the GDP Forecasting Template with relevant data and developing a medium-term strategy for the improvement of official monthly flash estimates.

Uzbekistan: National accounts (September 27- October 1, 2021). The State Committee on Statistics of the Republic of Uzbekistan has made good progress since the May 2021 TA mission. This activity assisted the Committee in developing quarterly national accounts on a discrete basis in accordance with the requirements of the Special Data Dissemination Standard. The mission reviewed the monthly data related to large enterprises collected by the Committee and made recommendations for further improvement of discrete quarterly data. The Committee plans to complete the compilation of discrete quarterly GDP estimates in December 2021.

Uzbekistan: Price Statistics (October 11 – 15, 2021). A remote CCAMTAC TA mission assessed progress made by the Central Statistics Committee of the Republic of Uzbekistan in implementing improvements to the CPI-based on the December 2020 mission recommendations. The current mission is focused on guiding the development of regional weights. The Statistics Committee updates the weights of the CPI each January mainly based on the results of a continuous household budget survey (HBS). The HBS is using tablets to record household expenditure data starting in 2021. The new technology will enable the CPI team to calculate detailed product weights from the HBS data. The mission provided training on methods to calculate national and regional weights.

Revenue Administration:

Georgia: Risk management, audit, and verification (September 27 – November 30, 2021). An "on-demand" capacity development was assisting the Revenue Service of Georgia in implementing earlier advice from a multi-year Revenue Mobilization Thematic Fund's project and supporting further reform efforts as articulated under the current project, with funding from the European Commission's Directorate-General for Neighborhood and Enlargement Negotiations and CCAMTAC. The focus was on large taxpayer management (including the use of Key Performance Indicators (KPI)), management of tax arrears, and the optimization of the value-added tax (VAT) refunds process.

Uzbekistan: Organizational structure (October 25 – November 10, 2021). Since June 2018, the Government of the Republic of Uzbekistan launched an ambitious reform to modernize the tax administration, and progress with reform implementation has been encouraging. This capacity development assignment assisted the State Tax Committee in continuing the reform of the tax administration organizational structure. The focus was on the development and organization of the local tax office network. The expert also initiated discussions on the move to the establishment of a single legal tax administration entity.

Other Activities

As a part of CCAMTAC outreach, the staff took part in meetings with country teams and authorities, intending to scope the technical needs, refine the workplan and increase awareness of capacity development activities available on a regional level.

Regional Activities – Workshops, Webinars, and Research / Analytical Seminars

Two regional workshops/seminars, a webinar, and two research seminars took place in the observed period.

Government Finance Statistics (GFS) and Public Sector Debt Statistics (PSDS) (September 13-17, 2021). The workshop launched CCAMTAC's CD program in GFS and quarterly PSDS. The main objective of this capacity development event was to identify each country's TA needs and to establish medium-term country work plans to improve the compilation and dissemination of its fiscal and debt data. Besides providing theoretical background of the key principles and concepts of the compilation of GFS and PSDS, the workshop also offered the opportunity for the countries to exchange their practice in the compilation of these statistics. The workshop hosted the compilers from the Ministries of Finance, National Statistical Institutes, and Central banks from all nine countries of the region.

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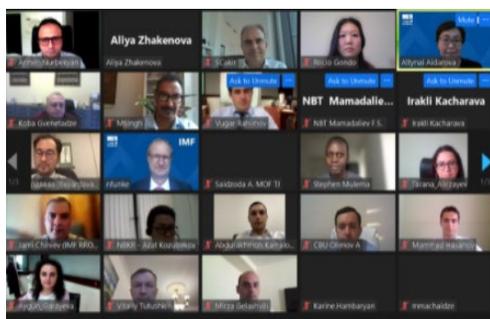
Dollarization Issues in CCAM Region (September 21-22, 2021). The workshop was aimed to exchange views with officials from the region on dollarization issues and to assist country authorities in enhancing monetary and foreign exchange (FX) operations. The regional workshop was an opening event for the CCAMTAC's Monetary and FX Operations workstream. The workshop covered broad principles of dollarization, managing associated risks, and measures to contain them. Several sessions were devoted to sharing country experiences and challenges on de-dollarization measures and peer discussions. Country authorities from all nine countries actively participated in the workshop.

IMF Online Learning: Shaping the Future of Capacity Development (with Institute for Capacity Development, August 26, 2021). The webinar gave a glimpse of the online learning opportunities that the IMF Online Training program offers to everyone around the world and indicated ways, in which all the participants can take advantage of this program. By now most online courses are open to the general public. The presentation also included a list of upcoming courses in 2021-2022, revealing what to expect while participating and how to make the best out of the participation. For detailed information click here.

Consumer Credit Risk Analysis via Machine Learning Algorithms (September 28, 2021). Over the last decade, machine learning or artificial intelligence has been increasingly applied to finance, especially in assessing credit default risks, by banks, central banks, rating agencies, and used by the IMF to assess financial vulnerabilities. The paper, presented by Shalkar Baikulakov and Zanggar Belgibayev (both National Bank of Kazakhstan), discusses how machine learning algorithms can help to analyze effectively large and unbalanced datasets and compares several linear/non-linear models. As the research suggests, the models based on regulatory data can provide an adequate foundation for the evaluation of credit risk of consumer loans, issued by second-tier banks, and help to prevent systematic risks. For detailed information click here.
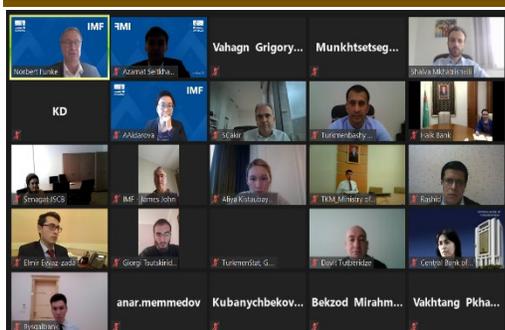
Sterilized interventions maybe not so sterilized (October 5, 2021). The research seminar was dedicated to the presentation and discussion of the paper, written by Shalva Mkhatrishvili, Giorgi Tsutskiridze, and Lasha Arevadze (all Central Bank of Georgia). According to conventional economic thinking sterilized FX interventions have limited implications on the banking sector or the real economy. The research findings, on the other hand, suggest that when the size of the collateral base for central bank operations is relatively small, sterilized interventions may still affect interest rates, loan extension, and, hence, the real economy (beyond the effects of exchange rate changes) through the liquidity risk premium. For detailed information click here.

Staff News

Dina Shmidt joined CCAMTAC in October 2021 as an interpreter/translator (part-time) with experience of working in financial and technical industries, as well as international organizations. Her experience includes work at PwC, oil and gas, mining companies, and OSCE mission assignments. Dina holds a Bachelor's degree in Interpretation and Translation Studies from Karaganda State University and an Erasmus scholarship in Translation Studies and Political Science from the Humboldt University of Berlin.

Ms. Salima Valiyeva left CCAMTAC, as planned earlier, for a fellowship in Switzerland.

Appendix I: CCAMTAC Work Plan Implementation August 2021 -February 2022

Country	Topic	Modality	Start date	End date	Working Days	Lead
ICD Macro-frameworks						
Kazakhstan	QPM review	DB	25/Oct/21	5/Nov/21	10	Fukac, Martin, Musil, Karel
Azerbaijan	Azerbaijan FPP training - LTX	DB	22/Nov/21	26/Nov/21	10	Fukac, Martin, Ramirez, Gustavo
Azerbaijan	Azerbaijan MDS training and data management - STX Staff	DB	6/Dec/21	10/Dec/21	5	Fukac, Martin, Edison, Hali J.
Kazakhstan	KAZ FP2.0 TA Scoping mission - CCAMTAC LTX	DB	6/Dec/21	10/Dec/21	5	Schindler, Martin
Uzbekistan	UZB TA Mission	DB	13/Dec/21	17/Dec/21	5	Arakelyan, Maria, Evdokimova, Tatiana, Fukac, Martin
Azerbaijan	Macroeconomic framework development	DB	10/Jan/21	14/Jan/21	5	Fukac, Martin, Ramirez, Gustavo
FAD-Rev						
Georgia	Remote peripatetic expert	DB	27/Sep/21	30/Nov/21	10	McCutchan, Phillip Winfield
Uzbekistan	STX Assignment to further improve STC organization structure	DB	25/Oct/21	10/Nov/21	13	Leigh-Pemberton, Jonathan
Regional	CCAMTAC Regional Tax Administration Workshop	DB	10/Nov/21	12-11-2021 18-11-2021	3	Aav, Enriko Tamm, Tiina Box, John Anthony
Kazakhstan	Tax STX	DB	January			STX
Kyrgyz Republic	LTX Visit	DB	February			Tamm, Tiina
Kazakhstan	Tax LTX Visit	DB	February			Tamm, Tiina
Azerbaijan	Tax Administration	DB	February			Tamm, Tiina
Tajikistan	LTX Visit	DB	February			Tamm, Tiina
FAD-PFM						
Armenia	Budget Preparation	DB	26/Jul/21	31/Aug/21	27	Zohrab, John Douglas Betley, Mary Ann
Armenia	Budget Preparation	DB	1/Nov/21	25/Feb/22	85	Zohrab, John Douglas

						Betley, Mary Ann
Tajikistan	SOE Fiscal Risk Management and Governance	DB	28/Jun/21	7/Sep/21	52	Zohrab, John Douglas Krivenkov, Vladimir
Kazakhstan	Accrual Budgeting FY21/23	DB	18/Nov/21	3/Dec/21	12	Zohrab, John Douglas Warren, Kenneth John
Georgia	Fiscal Risks	DB	9/Sep/21	18/Nov/21	51	Zohrab, John Douglas
Uzbekistan	Fiscal Risk Management	DB	19/Jul/21	6/Aug/21	15	Zohrab, John Douglas
Uzbekistan	Macro-Fiscal Capacity Building	DB	15/Nov/21	17/Dec/21	25	Symansky, Steven A.
Regional	Regional Workshop - Strengthening PFM Institutions	DB	24/Jan/22	28/Jan/22	8	Zohrab, John Douglas STX
Uzbekistan	Fiscal Risk Management	DB	January			STX
Uzbekistan	SOE Fiscal Risks	DB	January			STX
Kyrgyz Republic	SOE Oversight	DB	January			Zohrab, John Douglas STX
Tajikistan	Fiscal Risks	DB	February			Zohrab, John Douglas STX
Kyrgyz Republic	Budget preparation	DB	February			Zohrab, John Douglas STX
MCM Supervision						
Georgia	IFRS9 Rollout	DB	15/Nov/21	3/Dec/21	15	LTX, STX
Azerbaijan	Banks' Stress Testing Guidelines	DB	16/Nov/21	26/Nov/21	9	LTX
Georgia	Operational and Cyber Risk	DB	8/Feb/22	18/Feb/22	9	LTX, STX
Regional Outreach	Corporate Governance	DB	21/Feb/22	21/Feb/22	1	LTX
Georgia	IRRBB	DB	8/Mar/22	18/Mar/22	9	LTX, STX
MCM MonOps						
Regional	CCAMTAC-Dollarization Regional Webinar	DB	21/Sep/21	22/Sep/21	2	Aidarova, Altynai
Uzbekistan	MonOps LTX Desk work	DB	1/Dec/21	20/Dec/21	9	Aidarova, Altynai Stephen Mulema
Kyrgyz Republic	Financial Supervision and Regulation	DB	8/Oct/21	8/Nov/21	25	HQ, STX

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Development Partners (External donors): ADB, China, Korea, Poland, Switzerland

Regional	CCAMTAC Monetary Policy Operations Webinar	DB	18/Jan/22	30/Jan/22	2	Aidarova, Altynai
STA Fiscal						
Regional	Training - GFS&PSDS - CCAMTAC - Opening Workshop	DB	13/Sep/21	17/Sep/21	5	Jablonska, Ivana Karolova, Viera
Armenia	MCD - TA/Train - GFS - CCAMTAC	DB	27/Sep/21	8/Oct/21	10	Bailey, David Stephen Jablonska, Ivana
Uzbekistan	MCD - TA/Train - PSDS - CCAMTAC	DB	25/Oct/21	5/Nov/21	10	Dubinina, Irina Karolova, Viera
Kazakhstan	MCD - TA - GFS - CCAMTAC - compilation of data	DB	15/Nov/21	26/Nov/21	10	Dubinina, Irina Jablonska, Ivana
Mongolia	MCD - TA - GFS&PSDS - CCAMTAC - compilation of data	DB	1/Dec/21	8/Dec/21	6	Jones, Gary Steven
Kyrgyz Republic	MCD - TA - GFS - CCAMTAC - compilation of data	DB	6/Dec/21	17/Dec/21	10	Jablonska, Ivana STX
Georgia	MCD - TA - GFS - CCAMTAC - compilation of data	DB	10/Jan/22	21/Jan/22	10	Jablonska, Ivana
Regional	Webinar	WS	January			Jablonska, Ivana STX
STA Real						
Kazakhstan	Kazakhstan - TA - GDP	DB	23/Aug/21	3/Sep/21	10	Gogoberishvili, Levan
Turkmenistan	Turkmenistan - TA - GDP	DB	6/Sep/21	10/Sep/21	5	Gogoberishvili, Levan
Uzbekistan	Uzbekistan-TA-GDP-Discrete quarterly GDP	DB	27/Sep/21	1/Oct/21	5	Gogoberishvili, Levan
Georgia	Georgia - TA - PPI - Agriculture	DB	4/Oct/21	8/Oct/21	5	Pegler, Katherine
Uzbekistan	Uzbekistan - TA - CPI	DB	11/Oct/21	15/Oct/21	5	Kelly, Patrick John
Kazakhstan	Kazakhstan - TA - CPI - SD	DB	8/Nov/21	12/Nov/21	5	Guerreiro, Vanda
Tajikistan	Tajikistan - TA- GDP - HFI - Data sources	DB	8/Nov/21	12/Nov/21	5	LTX STA
Azerbaijan	Azerbaijan - TA - GDP	DB	15/Nov/21	26/Nov/21	10	Gogoberishvili, Levan
Georgia	Georgia - TA - GDP	DB	15/Nov/21	26/Nov/21	10	Mantcheva, Maria
Tajikistan	Tajikistan - PPI - RPPI	DB	29/Nov/21	3/Dec/21	5	Miriam Steurer
Uzbekistan	Prices - RPPI	DB	29/Nov/21	3/Dec/21	5	Ronan Lyons

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Uzbekistan	Uzbekistan-TA-GDP-2008 SNA	DB	6/Dec/21	17/Dec/21	10	Gogoberishvili, Levan
Georgia	Prices - RPPI	DB	17/Jan/22	21/Jan/22	5	STX STA
Kazakhstan	Prices - CPI methodology	DB	17/Jan/22	28/Jan/22	10	STX STA
Kyrgyz Republic	NA - Quarterly GDP	DB	24/Jan/22	28/Jan/22	5	Gogoberishvili, Levan
Regional	NA - Discrete quarterly GDP	WS	7/Feb/22	11/Feb/22	5	Gogoberishvili, Levan
Georgia	Prices - PPI - Tourism	DB	7/Feb/22	11/Feb/22	5	HQ - Andrew Baer
Tajikistan	Prices - CPI	DB	7/Feb/22	11/Feb/22	5	STX -
Azerbaijan	Prices - RPPI	DB	14/Feb/22	18/Feb/22	5	HQ - New staff
Tajikistan	NA - GDP-E	DB	21/Feb/22	25/Feb/22	5	Gogoberishvili, Levan

CCAMTAC Events						
Regional	Research seminar - Consumer credit risk analysis	DB	28/Sep/21	28/Sep/21	1	Funke, Norbert Kistaubayeva, Aliya
Regional	Research seminar - Effects of sterilized FX interventions	DB	5/Oct/21	5/Oct/21	1	Funke, Norbert Kistaubayeva, Aliya
Regional	Armenia's Fiscal Strategy Model DSGE and COVID-19 Scenario	DB	4/Nov/21	4/Nov/21	1	Fukac, Martin
Regional	Webinar: IMF's Engagement on Climate Issues	DB	16/Nov/21	16/Nov/21	1	Funke, Norbert
Regional	Webinar: The Debt Investment Growth and Natural Resources (DIGNAR) Model	DB	23/Nov/21	23/Nov/21	1	Funke, Norbert
Regional	Selected Webinars	DB	tbd			Funke, Norbert Kistaubayeva, Aliya
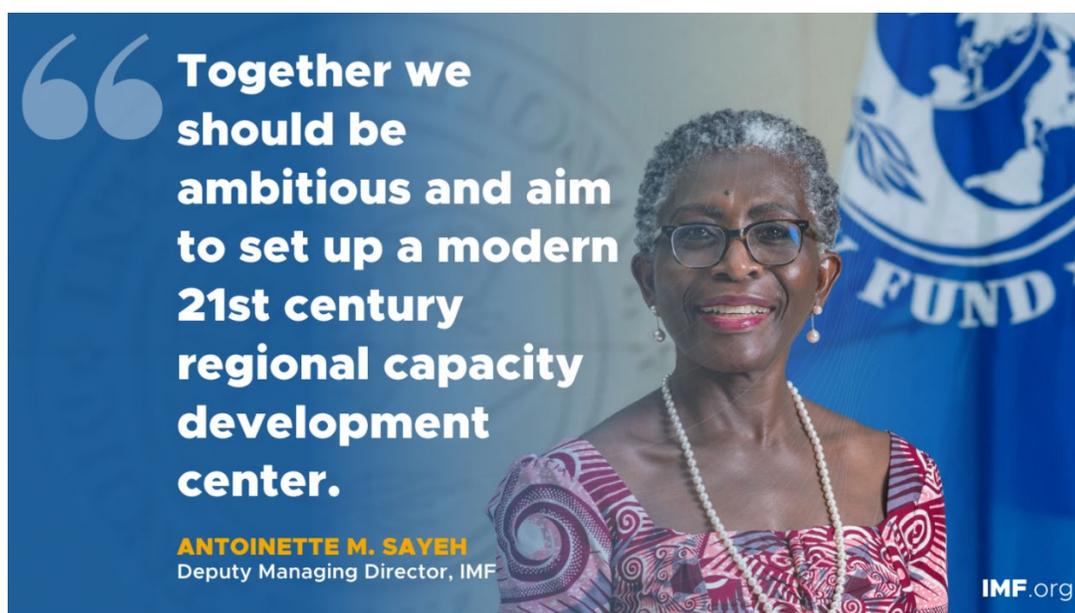
Useful links:

IMF press release on the opening of CCAMTAC (February 1, 2021)

IMF press release on CCAMTAC's signing ceremony (December 24, 2020)

IMF.org/CapDev

IMF network of Regional Capacity Development Centers (brochure)

IMF network of Regional Capacity Development Centers (map)

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CCAMTAC website