



Technical Assistance Report

Project Number: 47225
Capacity Development Technical Assistance (CDTA)
December 2013

Republic of the Union of Myanmar: Support for Strengthening Public Debt Management

CURRENCY EQUIVALENTS

(as of 14 November 2013)

Currency unit	–	kyat (MK)
MK1.00	=	\$0.00103
\$1.00	=	MK970.86

ABBREVIATIONS

ADB	–	Asian Development Bank
CBM	–	Central Bank of Myanmar
DMD	–	debt management division
DMFAS	–	Debt Management and Financial Analysis System
DRMS	–	debt recording and management system
IMF	–	International Monetary Fund
MOF	–	Ministry of Finance
PFM	–	public financial management
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Capacity development technical assistance (CDTA)
Targeting classification	–	General intervention
Sector (subsector)	–	Public sector management (public expenditure and fiscal management)
Themes (subthemes)	–	Governance (economic and financial governance), economic growth (promoting macroeconomic stability), capacity development (institutional development)
Location (impact)	–	National (high)

NOTES

- (i) The fiscal year (FY) of the Government of the Republic of the Union of Myanmar ends on 31 March. "FY" before a calendar year denotes the year in which the fiscal year ends, e.g., FY2013 ends on 31 March 2013.
- (ii) In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. This technical assistance (TA) builds on support provided under a small-scale TA project approved in 2012 (Improving Fiscal Revenue Mobilization),¹ which provided capacity building support to the Foreign Exchange Control and External Debt Division within the Budget Department of the Ministry of Finance (MOF). The TA also supported the conduct of a debt management self-assessment, and the design of a proposed debt management division (DMD) within a new Treasury Department to be established by the next fiscal year.

2. Follow-on support will be needed over the medium term to allow for broader institutional reforms and capacity building, necessary for the establishment of an effective institutional framework for sound public debt management. This will include support for strengthening of the MOF's capacity for debt recording and management through the establishment of a modern debt management and recording system and related capacity building support. Support will also be needed to more broadly develop the institutional framework and capacity for public debt management. In this regard, this TA will support the establishment and operationalization of a DMD within the Treasury Department of the MOF, which will assume primary responsibility for public debt management, development of a modern legal and regulatory framework for public debt, and development of the domestic market for government securities.

3. In response to the government's request for follow-on support, the Asian Development Bank (ADB) conducted a fact-finding mission on 9–18 September 2013, and reached an agreement with the government on the impact, outcome, outputs, implementation arrangements, cost, financing arrangements, and consultant terms of reference. The design and monitoring framework is in Appendix 1.²

II. ISSUES

4. The government's extensive reform program and its related financing requirements will necessitate the establishment of an effective institutional framework for sound public debt management to ensure that policy objectives can be met on a sustainable basis without compromising macroeconomic stability. As a first step, this will require support for strengthening of basic capacity related to debt recording and management. Over the medium term, support will also be needed for development of a clear legal framework for public debt management and establishment of an institutional focal point with primary responsibility for public debt management (i.e., a principal debt management entity).

5. Responsibility for public debt management is currently split between the Budget Department of the MOF and the Central Bank of Myanmar (CBM)—with management of domestic debt being handled by the Financial Markets Department of the CBM, and external debt management being the responsibility of the Foreign Exchange Control and External Debt Division of the Budget Department of the MOF. This makes it difficult for the government to obtain a consolidated picture of its debt position.

6. In part to address the issue of institutional fragmentation, the International Monetary Fund (IMF) has recommended the creation of a separate Treasury Department within the MOF that would include a DMD, which will have primary responsibility for management of external as

¹ ADB. 2012. *Technical Assistance to the Republic of the Union of Myanmar for Improving Fiscal Revenue Mobilization*. Manila (TA 8156).

² The TA first appeared in the business opportunities section of ADB's website on 18 November 2013.

well as domestic public debt. This would involve the transfer, to the new division, of responsibility for external debt management from the MOF's Budget Department and responsibility for domestic debt management from the CBM's Financial Markets Department. The government has agreed in principle with these recommendations and intends to establish the new department by the next fiscal year (beginning 1 April 2014).

7. At the request of the government and in coordination with other development partners, ADB has provided initial support to help define the structure and functions of the proposed DMD. Capacity building support will be needed for DMD staff to effectively carry out new functions and responsibilities, particularly since, given Myanmar's limited international engagement until recently, the external debt function of the Foreign Exchange Control and External Debt Division has largely been limited to that of record keeping, which is mainly carried out manually. Complementary support will also be needed to strengthen this function through the acquisition and operationalization of a modern debt recording and management system (DRMS).

8. Correspondingly, a modern legal and regulatory framework for public debt management will need to be developed. Public debt management is currently largely based on a set of practices that constitute an informal framework. To allow for effective management of public debt, the government will need to consider and work toward the development of a legal and regulatory framework that clearly defines the authority and responsibility to borrow, issue debt, and execute transactions on behalf of the government; specifies clear objectives for debt management expressed in terms of cost and risk; makes explicit the purposes of borrowing and the scope of debt management operations; mandates the preparation of a public debt management strategy; clarifies the respective roles and responsibilities of key agencies in public debt management; and establishes accountability and reporting requirements.

9. In conjunction with basic capacity building for debt management, ADB has also supported the government's conduct of a debt management performance self-assessment. Following the completion of this self-assessment, a joint development partner mission (comprising ADB, the IMF, the World Bank, and the US Treasury) was undertaken to provide comprehensive and coordinated support for development of the government's public debt management function. Building on the findings of the self-assessment, the joint mission, in consultation with the government, has mapped out short-, medium-, and long-term needs along with proposed support by development partners. Under this, the IMF would principally focus on support for cash management; the World Bank would provide capacity building support at a later stage through a proposed public financial management (PFM) training institute (under a broader PFM reform program); the US Treasury would provide support for domestic debt market development; while ADB would support operationalization of the new DMD under the Treasury Department.

10. Development partners have also coordinated closely on broader support for PFM. The government has come up with a PFM reform strategy based on the findings of a recently completed public expenditure and financial accountability assessment conducted by the World Bank in collaboration with the MOF. Feedback from development partners has been very positive and development partners have responded by drafting a set of partnership principles and indicating areas of current and proposed support for the strategy. Among the multilaterals, ADB and the IMF will focus on support for the new Treasury Department (with the IMF focusing on cash management and ADB on debt management), while the World Bank will focus on support for the Budget Department and will also cover other aspects of PFM such as procurement.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The TA impact will be management of public debt on a sound and sustainable basis. Relevant indicators include an improvement in the country risk rating for debt distress from moderate to low (assessed by debt sustainability analyses conducted as part of the annual IMF Article IV consultation), and a debt management performance assessment that will be undertaken toward the end of the TA.

12. The TA outcome will be establishment of an institutional framework and related capacity for effective public debt management. Relevant indicators include (i) strengthening capacity for public debt recording and management (performance target: procurement and operationalization of a DRMS); and (ii) establishment and operationalization of a DMD within the MOF (performance target: new division is established and staffed with adequately trained personnel).

B. Methodology and Key Activities

13. The TA's outcome will be supported through the following outputs: (i) acquisition and operationalization of a DRMS, (ii) development of an organization plan defining the structure of a DMD and the road map for developing its public debt management functions, and (iii) support for strengthening the legal and regulatory framework for public debt management. Capacity building support will also be provided for implementation of the outputs noted above, including identification and engagement of resource people from counterpart institutions and/or the establishment of peer-to-peer twinning arrangements with existing, well-functioning public debt management offices in the region. With respect to implementation, a key assumption is continued strong government ownership of reforms. Risks include the possibility of unforeseen crises placing large and unavoidable demands on the government's fiscal position.

C. Cost and Financing

14. The TA is estimated to cost \$1,500,000 which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-V). The government will provide counterpart support for TA implementation through their existing, day-to-day operations and budget, which includes counterpart staff time and access to materials and facilities needed, and other in-kind contribution.

D. Implementation Arrangements

15. The MOF will serve as both executing and implementing agency for the TA. Other implementing agencies include the CBM. While the focus of capacity development under the TA will be with the DMD, the CBM will be involved in the development of an interagency agreement as well as the development of the legal and regulatory framework for public debt management.

16. Consulting inputs will be provided through the engagement of individual consultants consisting of (i) a debt recording and management system expert (4 person-months, international); (ii) a public debt management expert (12 person-months, international); (iii) a public debt regulatory and institutional framework expert (6 person-months, international); and (iv) a project coordinator (18 person-months, national). Outline terms of reference for

consultants are in Appendix 3. Consultants will be engaged in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

17. Provision will also be made for the acquisition of a DRMS for the MOF. This will include provision of hardware, software, and related training. A significant number of low-income, developing, or emerging market countries use the Debt Management and Financial Analysis System (DMFAS) developed and supported by the United Nations Conference on Trade and Development (UNCTAD) in Geneva. The DMFAS provides functionality that is best suited for external debt from bilateral and multilateral sources, and its procurement and implementation has been supported by ADB in a number of developing member countries—including some in Southeast Asia.

18. The TA will provide support to the MOF in assessing its needs and procuring an appropriate package of software, training, and hardware for implementation of the DMFAS, based on consultations with UNCTAD. Procurement of software and related training will be conducted by direct contracting, based on choice of system by the MOF. Hardware for the system will be purchased using the shopping method of procurement.

19. The TA, to be administered by ADB, will be implemented during December 2013–March 2016. Proceeds will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a grant basis to the Government of the Republic of the Union of Myanmar for Support for Strengthening Public Debt Management, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Public debt is managed on a sound and sustainable basis</p>	<p>By 2018: Improvement in country risk rating for debt distress from moderate to low (in line with interim country partnership strategy support for enabling economic environment) (baseline: 2011 IMF debt sustainability analysis; moderate risk)</p> <p>Annual or bi-annual public debt reports made available (baseline: no reports)</p>	<p>Debt sustainability analysis conducted as part of annual IMF Article IV consultation</p> <p>Published reports</p>	<p>Risk Unforeseen crises place large and unavoidable demands on government's fiscal position</p>
<p>Outcome Strengthened institutional framework for public debt management</p>	<p>By March 2016: Acquisition and operationalization of DRMS (baseline: no system)</p> <p>Debt management division is established and staffed with adequately trained personnel (baseline: DMD to be established)</p> <p>Formal regulatory framework for public debt management established (baseline: no framework)</p>	<p>Review missions</p>	<p>Assumption Continued strong government ownership of reforms</p> <p>Risk Resistance to reforms by vested interests</p>
<p>Outputs</p> <ol style="list-style-type: none"> 1. Acquisition and operationalization of a debt recording and management system 2. Plan defining structure and staffing needs of new debt management division 	<p>By March 2016: DRMS procured and operationalized</p> <p>Structure and functions of DMD are consistent with international sound practice, and plan has strong ownership by MOF management and staff DMD established along with a road map for</p>	<p>Review missions</p> <p>Plan</p> <p>Review missions</p>	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks										
<p>3. Strengthened legal and regulatory framework for public debt management</p> <p>4. Capacity and awareness building to support implementation of the TA</p>	<p>developing its public debt management functions-including development by DMD of a medium-term debt management strategy</p> <p>Regulations and agreements have strong stakeholder ownership and are consistent with international sound practice</p> <p>Approach to capacity building is based on systematic needs assessment</p> <p>Training activities have clearly defined objectives, are well structured, and designed to be of practical relevance</p>	<p>Regulations, and agreements</p> <p>Consultant reports</p> <p>Review missions</p>											
<p>Activities with Milestones</p> <p>1. Acquisition and operationalization of a debt recording and management system</p> <p>1.1 Conduct of stakeholder consultations to establish functional requirements for DRMS (December 2013–March 2014)</p> <p>1.2 Identification of options for DRMS (April 2014)</p> <p>1.3 Support for procurement of DRMS (May–June 2014)</p> <p>1.4 Identification of training needs for use of DRMS (July–September 2014)</p> <p>1.5 Conduct of training (September 2014–March 2016)</p> <p>2. Plan defining structure and staffing needs of new debt management division</p> <p>2.1 Preparation of plan for establishment of DMD, transition strategy, and road map for development of its public debt management functions and conduct of related stakeholder consultations (November 2013–February 2014)</p> <p>2.2 Establishment of DMD within MOF</p> <p>3. Strengthened legal and regulatory framework for public debt management</p> <p>3.1 Review of existing legal framework and regulations related to public debt</p>		<p>Inputs</p> <p>ADB: \$1,500,000 (TASF-V)</p> <table border="1" data-bbox="862 1230 1446 1518"> <thead> <tr> <th data-bbox="862 1230 1187 1266">Item</th> <th data-bbox="1187 1230 1446 1266">Amount (\$'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="862 1297 1187 1333">Consulting services</td> <td data-bbox="1187 1297 1446 1333">750</td> </tr> <tr> <td data-bbox="862 1360 1187 1396">DRMS</td> <td data-bbox="1187 1360 1446 1396">450</td> </tr> <tr> <td data-bbox="862 1423 1187 1459">Twinning and workshops</td> <td data-bbox="1187 1423 1446 1459">150</td> </tr> <tr> <td data-bbox="862 1486 1187 1522">Contingency</td> <td data-bbox="1187 1486 1446 1522">150</td> </tr> </tbody> </table> <p>The government will provide counterpart support for TA implementation through their existing, day-to-day operations and budget which includes counterpart staff time and access to materials and facilities needed, and other-in-kind contributions.</p>		Item	Amount (\$'000)	Consulting services	750	DRMS	450	Twinning and workshops	150	Contingency	150
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Consulting services	750												
DRMS	450												
Twinning and workshops	150												
Contingency	150												

<p>Activities with Milestones</p> <p>3.2 Conduct of stakeholder consultations and workshops to establish understanding and consensus on needed provisions for legal and regulatory framework for public debt</p> <p>3.3 Support for development of legal and regulatory framework for public debt</p> <p>3.4 Support for development of interagency agreement between MOF and CBM and conduct of related stakeholder workshops to build consensus (this should clarify roles and responsibilities of the CBM and DMD in relation to public debt management)</p> <p>3.5 Support for development of code of conduct, procedures manuals, and compliance and monitoring framework</p> <p>4. Capacity and awareness building to support implementation of outputs 1 and 2</p> <p>4.1 With reference to plan and road map (Output 2), conduct capacity building needs assessments and identify relevant local and international capacity building resources; this may include the identification and engagement of resource people from counterpart institutions or twinning arrangement with peer institutions in the region (July 2014–March 2016)</p> <p>4.2 Design of systematic capacity building plan for the sustainable operationalization of DMD (May–June 2014)</p> <p>4.3 Implementation of plan and capacity building support provided by DMD (July 2014–March 2016)</p>	
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ADB = Asian Development Bank, CBM= Central Bank of Myanmar, DMD = debt management division, DRMS = debt recording and management system, IMF = International Monetary Fund, MOF = Ministry of Finance, TA = technical assistance, TASF = Technical Assistance Special Fund.
Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	600.0
ii. National consultants	80.0
b. International and local travel	60.0
c. Reports and communications (including translation services)	10.0
2. Equipment, software, and training (DRMS) ^b	450.0
3. Capacity development including support for workshops, twinning and resource people ^c	150.0
4. Contingencies	150.0
Total	1,500.0

DRMS = Debt Recording and Management System.

Note: The technical assistance (TA) is estimated to cost \$1,500,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support for TA implementation through their existing, day-to-day operations and budget which includes counterpart staff time and access to materials and facilities needed, and other-in-kind contributions.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-V).

^b This includes purchase of servers, workstations, scanners, printers, and networking equipment along with software, associated license and maintenance fees, and training. Purchase of equipment and software is on behalf of the executing agency and will be turned over upon procurement.

^c This includes travel costs for ADB staff serving as resource people.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. **Debt recording and management system expert** (international, 4 person-months, intermittent). The expert will support the Ministry of Finance (MOF) in identifying requirements for the debt recording and management system (DRMS) and assist in its procurement and establishment. The expert will work closely with the public debt management expert. Responsibilities include the following:

- (i) conduct of stakeholder consultations to establish functional requirements for DRMS;
- (ii) identification of options for DRMS;
- (iii) support for procurement of DRMS;
- (iv) identification of training needs for use of DRMS; and
- (v) conduct of training.

2. The expert should possess a relevant degree (e.g., in information technology or accounting) and at least 10 years of practical work experience relevant to public debt management and establishment and operationalization of debt recording and management systems in particular.

3. **Public debt management expert** (international, 12 person-months, intermittent). The expert will support the MOF in establishment of a debt management division (DMD) that will assume primary responsibility for management of public debt. This will include support for development of a public debt management strategy by the DMD. The expert will work closely with the public debt regulatory framework expert. Responsibilities include the following:

- (i) definition of functions and responsibilities, organizational structure, and staffing requirements of the DMD based on international sound practice;
- (ii) preparation of a plan for establishment of the DMD, transition strategy, and road map for the development of its public debt management functions and conduct of related stakeholder consultations;
- (iii) conduct of capacity building needs assessments and identification of relevant local and international capacity building resources (this may include the identification and engagement of resource people from counterpart institutions and/or twinning arrangements with peer institutions in the region);
- (iv) design of a systematic capacity building plan for establishment and sustainable operationalization of the DMD, including business plan and staff competency framework;
- (v) conduct and administration of training, seminars, and conferences; and
- (vi) support of the DMD in development of a public debt management strategy.

4. The expert should possess a relevant degree (e.g., in accounting, business, or economics) and at least 10 years of practical work experience relevant to public debt management.

5. **Public debt regulatory and institutional framework expert** (international, 6 person-months, intermittent). The expert will support the MOF in the development of a legal and regulatory framework for public debt, including an interagency agreement between the MOF and the Central Bank of Myanmar (CBM) defining responsibilities for issuance and management of public debt. The expert will work closely with the public debt management expert. Responsibilities include the following:

- (i) review of the existing legal framework and regulations related to public debt;
- (ii) conduct of stakeholder consultations and workshops to establish understanding and consensus on needed provisions for the legal and regulatory framework for public debt;
- (iii) support for development of the legal and regulatory framework for public debt in coordination with other development partners active in this area;
- (iv) support for development of interagency agreement between the MOF and CBM and conduct of related stakeholder workshops to build consensus (this should clarify roles and responsibilities of the CBM and DMD in relation to public debt management);
- (v) support for development of a code of conduct, procedures manuals, and compliance and monitoring framework; and
- (vi) support for development and implementation of a systematic capacity building plan in conjunction with the public debt management expert.

6. The expert should possess a relevant degree (e.g., in accounting, business, economics, or law) and at least 15 years of practical work experience relevant to public debt management, particularly with respect to regulatory and institutional frameworks for public debt management in developing countries.

7. **Project Coordinator** (national, 18 person-months, intermittent). The project coordinator will be responsible for logistical and administrative support for the TA. Responsibilities include the following:

- (i) support for organization and conduct of meetings and workshops;
- (ii) collection of documents and data;
- (iii) translation of materials as needed; and
- (iv) monitoring technical assistance-related developments and preparing regular progress reports.

8. The project coordinator should possess a relevant degree and at least 5 years of practical work experience. Demonstrated experience in project management, event management, communications, or similar fields is highly preferred, with additional preference for work experience in a technically oriented area.