



Technical Assistance Report

Project Number: 49282-001
Regional—Capacity Development Technical Assistance (R-CDTA)
December 2015

Asian Regional Public Debt Management Forums and Workshops

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
ADF	–	Asian Development Fund
DMC	–	developing member country
PDM	–	public debt management
SDR	–	special drawing right
TA	–	technical assistance

NOTE

In this report, "\$" refers to US dollars.

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CONTENTS

	Page
CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE	
I. INTRODUCTION	1
II. ISSUES	2
III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE	3
A. Impact and Outcome	3
B. Methodology and Key Activities	3
C. Cost and Financing	4
D. Implementation Arrangements	4
IV. THE PRESIDENT'S DECISION	5
APPENDIXES	
1. Design and Monitoring Framework	6
2. Cost Estimates and Financing Plan	8
3. Outline Terms of Reference for Consultants	9

CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 49282-001	
Project Name	Asian Regional Public Debt Management Forums and Workshops	Department /Division	TD/TDCS
Country	REG	Executing Agency	Asian Development Bank
2. Sector	Subsector(s)	ADB Financing (\$ million)	
Public sector management	Public expenditure and fiscal management		0.75
		Total	0.75
3. Strategic Agenda	Subcomponents	Climate Change Information	
Inclusive economic growth (IEG)	Pillar 1: Economic opportunities, including jobs, created and expanded	Climate Change impact on the Project	Low
Regional integration (RCI)	Pillar 3: Money and finance		
4. Drivers of Change	Components	Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Public financial governance	No gender elements (NGE)	✓
Knowledge solutions (KNS)	Knowledge sharing activities		
5. Poverty Targeting		Location Impact	
Project directly targets poverty	No	Regional	High
6. TA Category:	B		
7. Safeguard Categorization	Not Applicable		
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.75	
Capacity development technical assistance: Technical Assistance Special Fund		0.75	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.75	
9. Effective Development Cooperation			
Use of country procurement systems		No	
Use of country public financial management systems		No	

I. INTRODUCTION

1. Effective and sound public debt management (PDM) is a cornerstone of economic policy that safeguards a country from macroeconomic and financial instability. It enables governments to take advantage of sovereign borrowings to finance their growing developmental needs in a sustainable manner, and to create positive externalities through the development of domestic capital markets. As the sovereign debt portfolio is often a country's largest debt portfolio, it can generate substantial risk to a sovereign's balance sheet, with potential to undermine key development objectives.

2. In 2008, the Asian Development Bank (ADB) conducted workshops for major Asian Development Fund (ADF) borrowers to apprise them of the special drawing rights (SDRs) conversion option for legacy ADF loans.¹ Discussions with government officials during these SDR conversion workshops resulted in requests from borrowers for ADB to provide (i) additional trainings related to PDM, such as development of debt management strategy, portfolio management, debt management organization structure, back office operations, and (ii) opportunities to learn from and share experiences with officials from other governments on the challenges associated with PDM.

3. In response to these requests from major ADF borrowers, ADB's Treasury Department-led Public Debt and Risk Management Forum technical assistance (TA) project was approved in 2008 to (i) contribute to the strengthening of PDM in DMCs, and (ii) promote networking among public debt managers in the Asia and Pacific region.² Under the TA, five forums were conducted with the following cohosts: (i) Bank Negara Malaysia; (ii) PDM Office of the Ministry of Finance, Thailand; (iii) Directorate General of Debt Management, Ministry of Finance, Indonesia; (iv) Ministry of Finance, Georgia; and (v) Ministry of Finance and Treasury, Maldives. Participants of these forums were mainly senior officials from ministries of finance, central banks, and other related agencies. In their feedback about the forums, the participants and cohosts appreciated some of the participating countries sharing their experiences as well as the comprehensive forum agenda. Further, they valued ADB's effort in creating a regional platform for further strengthening cooperation and knowledge sharing among public debt managers. Participants indicated that the forums should be held annually to give public debt managers in DMCs regular opportunities to share best practices and experiences, exchange views with their counterparts from across the Asia and Pacific region, and discuss developments on issues related to PDM.

4. The participants of the forums emphasized that PDM continues to be an important focus for DMCs, especially after the 2008 global financial crisis, which resulted in a more challenging and complex financial environment. Some of them also suggested that ADB's capacity building effort can be further enhanced by focusing on thematic and in-depth workshops concentrating on certain topics specific to a DMC or group of DMCs with similar economic challenges.

5. ADB's Treasury Department proposes this regional capacity development TA to (i) build on the momentum of the Public Debt and Risk Management Forum TA project (footnote 2); (ii) provide updates on standards, norms, best practices, and approaches on PDM; and (iii) provide an opportunity for public debt managers from ADB developing members to share their respective experiences and network with their peers in the region.³ The TA will include activities such as (i) surveys of borrowers' existing PDM operations and PDM-related areas of interest; (ii)

¹ SDR conversion workshop were organized in 15 countries from September 2007 to October 2008.

² ADB. 2008. *Technical Assistance for Public Debt and Risk Management Forum*. Manila (TA 6506-REG).

³ The TA concept clearance was obtained on 29 September 2015. It first appeared in the business opportunities section of ADB's website on 6 November 2015.

regional forums to discuss the various aspects of PDM; and (iii) PDM workshops that are based on (a) specific countries and/or subregions to link DMCs with similar levels of economic development and facing similar challenges, and/or (b) specific themes. Forums will address borrowers' common interests on PDM, while workshops will address specific requirements on current challenges of a DMC or a group of DMCs at the time of workshop agenda formulation. ADB can also use these activities to gather feedback regarding client needs, which would help ADB enhance its existing range of financial products and modalities, and strengthen its relevance in the region.

6. This proposed TA will complement ADB regional departments' initiatives and programs on PDM. ADB's Treasury Department will closely coordinate with regional departments in the TA project's activities, and provide feedback and/or requests to facilitate regional departments' further assistance to DMCs in PDM capacity development. In addition, field experts and relevant organizations (e.g., the World Bank and its Debt Management Facility, the International Monetary Fund, PDM system providers such as the Commonwealth Secretariat and the United Nations Conference on Trade and Development, academia, parliamentary budget committee members from DMCs, civil society organizations, rating agencies, and investment banks) will be invited to participate in the discussions, where appropriate.

II. ISSUES

7. The impact of the global financial and economic situation on Asia has become increasingly volatile and complex following the 2008 global financial crisis. The current dynamism reflects various issues arising from adjustment costs and risks from global rebalancing, the slowdown in the global economy, and the adoption of massive monetary easing policies in advanced economies as well as reactive policies in developing countries in Asia. The current financing landscape facing both developed and developing countries demonstrates the need for debt managers, fiscal and monetary authorities, and finance sector regulators to share an understanding of the links between the policy decisions they make. Over the last two years, volatility in exchange rates and Asian stock markets, due in large part to the fear of the end of quantitative easing by the United States Federal Reserve, has further highlighted the complex economic and financial environment in Asia.

8. Debt managers in ADB's developing members have to properly assess risks associated with volatile interest rates, exchange rates, and debt flows, and they need to mitigate these risks by relying on a diverse range of financing sources while maintaining borrowing costs at low levels. Borrowers with more established domestic government bond markets borrow in both local and foreign currencies. As such, these borrowers conduct cost-risk reviews and explore options to structure debt portfolios by using different combinations of (i) funding sources (domestic versus foreign currency debts), (ii) currency mixes, and (iii) interest rate bases (floating versus fixed). However, in recent years, the costs and risk characteristics of many financing options have changed, requiring a reevaluation of existing debt management strategies. In the case of ADF borrowers, exposures are mainly in currency risk, as borrowers' liabilities are denominated in SDR and/or multiple currencies. However, some borrowers have neither access to the derivatives market to undertake hedging transactions given their credit ratings, nor the appropriate tools and/or capability to analyze the financial implications of their exposures and alternatives.

9. Another challenge for debt managers is to accurately undertake debt sustainability analysis, with many risk factors having a bearing on the eventual result. Some of the key risk factors that pose difficulties and need to be monitored are contingent liabilities, subnational debt,

and vulnerability to exogenous shocks, such as commodity price fluctuations. The magnitude and direction of global capital flows may also be affected. Such concerns are especially acute in the case of low-income countries, which are relatively more exposed to commodity price shocks, and these effects may be expected to intensify as low-income countries continue to integrate into international markets.

10. Countries, therefore, need capable debt management offices to design medium-term strategies that appropriately balance cost and risk, and execute financing transactions efficiently. Debt management policies need to be coordinated with monetary and fiscal policies, given the interconnections and interdependencies among these policy instruments. As the operating environment for debt managers has become increasingly complex, one area that the DMCs are keen to strengthen is institutional capacity in PDM.

11. The TA is aligned with the third core area (regional cooperation and integration) and the fourth core area (finance sector development) of operations indicated in ADB's Strategy 2020.⁴ The TA supports monetary and financial cooperation and integration, the third pillar identified by ADB's regional cooperation and integration strategy, which envisages capacity building and institutional strengthening of DMCs, and is consistent with ADB's Midterm Review of Strategy 2020 Action Plan, which highlights knowledge solutions and regional cooperation and integration.⁵

III. THE CAPACITY DEVELOPMENT TECHNICAL ASSISTANCE

A. Impact and Outcome

12. The impact will be enhanced PDM in DMCs. The outcome will be enhanced knowledge and understanding of DMC officials on PDM frameworks and techniques. The DMC officials and/or staff who will attend the forums/workshops will apply what they learn in their debt management operations.

B. Methodology and Key Activities

13. The TA will include at least four regional forums and workshops for DMCs that will serve as a platform for government officials to gain knowledge and share information related to PDM. TD will conduct surveys on PDM operations of ADB developing members before each regional forum and present results during the forum. Discussion topics at the forums and workshops will cover the following, among others:

- (i) development and implementation of debt management strategies;
- (ii) institutional, legal, and governance frameworks for PDM;
- (iii) development of a domestic market for government securities;
- (iv) accessing international capital markets;
- (v) public debt analysis;
- (vi) contingent liabilities and fiscal risk; and
- (vii) debt portfolio composition and risk management.

14. The TA will also include development of knowledge products. The insights and key lessons from the forums and workshops (especially the country experiences) will be summarized in a forum and/or workshop synthesis report. Further, a website and/or dedicated

⁴ ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

⁵ ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila.

portal on PDM will be developed that will be accessible to participants of the forums and workshops along with interested DMC officials.

C. Cost and Financing

15. The TA is estimated to cost \$750,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (\$340,000 from TASF-V and \$410,000 from TASF-other sources).

D. Implementation Arrangements

16. ADB will be the executing agency, and ADB's Treasury Department will administer the TA and supervise the work of the TA consultants. The TA will be implemented in consultation with ADB's regional departments, Strategy and Policy Department, Economic Research and Regional Cooperation Department, Sustainable Development and Climate Change Department, and other relevant departments and ADB's sector and thematic groups,⁶ and would follow the "One ADB" approach.⁷

17. One individual international consultant will be engaged for each forum and/or workshop for a cumulative total of 6 person-months. The consultants will be engaged by ADB in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time). Experts from academia, government agencies, ADB, and international organizations will be engaged as resource speakers for the forums and workshops.

18. The TA will be implemented over 6 years, from January 2016 to 31 December 2021. It will include at least four regional forums and/or workshops for DMCs that may be held every other year or more frequently, depending on when each cohost agrees to accept and conduct the event.

19. The participants of the forums will consist of those nominated by ADB developing members from debt management offices, ministries of finance, central banks, and other relevant agencies responsible for PDM. Each ADB developing member can nominate up to two participants per forum. Each forum is expected to be held over 2–3 days. Forum venues will be decided based on logistical and cost considerations.

20. An ADB developing member will cohost a forum (para. 18). When a relevant ministry and/or institution of an ADB developing member agrees to cohost a forum with ADB, the event will be jointly organized by the two institutions. Responsibilities of the cohost will generally include (i) delivering a keynote speech during the opening session; (ii) reviewing and providing inputs to the forum agenda, and providing speaker(s) and/or moderator(s); and (iii) providing administrative and logistical support, e.g., recommending a suitable venue.

21. PDM workshops that are based on specific countries and/or subregions, and/or specific themes will be designed and organized for DMCs by request. Each workshop will be held for a duration of 1–2 days. A total of around 30 participants for each workshop is considered effective to ensure adequate interaction between participants and the resource speakers. For subregion-specific workshops, each DMC can nominate up to five participants in order to reach an optimal

⁶ ADB's Sector and Thematic Groups (formerly, communities of practice or CoPs) represent the institutions collective knowledge and expertise in specific development sector and themes.

⁷ The Action Plan for the Midterm Review of Strategy 2020 calls for promoting a "One ADB" culture to consolidate and strengthen delivery of knowledge work and services.

number of participants for adequate interaction between participants and resource speakers. However, the DMC where the workshops will be held can nominate more than five participants, subject to the budget for that particular workshop. These workshops may be jointly organized with other development partners such as the World Bank and its Debt Management Facility, the International Monetary Fund, the United Nations Conference on Trade and Development, and the Commonwealth Secretariat to tap into their vast experience with PDM. In some cases, it may be practical to leverage existing workshops of development partners where interested DMCs can nominate up to two participants.

22. A no objection letter will be obtained prior to the commencement or financing of any undertaking in the territory of any country covered by this TA. The TA will be disbursed in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

IV. THE PRESIDENT'S DECISION

23. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis for Asian Regional Public Debt Management Forums and Workshops, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the Technical Assistance is Aligned with:			
Enhanced PDM in DMCs			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Enhanced knowledge and understanding of DMC officials on PDM frameworks and techniques	By December 2021, at least 60% of participants indicate that they are likely to apply knowledge gained from the forums and workshops in their debt management practices (Baseline: Not applicable)	TA progress reports	Occurrence of a global and/or regional financial crisis, resulting in reduced commitment of DMCs to capacity development and adoption of learned techniques Governments' inability to retain trained and/or experienced staff
Outputs 1. Knowledge-sharing and/or learning events related to PDM conducted 2. Knowledge products developed	1. By December 2021, at least 75% of participants from at least two regional forums and two country and/or subregional workshops report enhanced knowledge of PDM (Baseline: Not applicable) 2a. By December 2018, forum and/or workshop synthesis report with insights and key lessons is developed (Baseline: Not applicable) 2b. By December 2021, at least 60% of participants use website and/or dedicated portal developed for PDM (Baseline: Not applicable)	1. TA progress reports 2a–b. TA progress reports	Lack of commitment of participants, and insufficient feedback to assess the impact of the events
Key Activities with Milestones 1. Knowledge-sharing and/or learning events related to PDM conducted 1.1 Obtain no objection letters from participating ADB developing members by Q4 2016 1.2 Engage consultant, conduct survey on ADB developing members PDM operations, and conduct the first regional forum by Q4 2016 1.3 Engage consultant and conduct the first country and/or subregion-specific and/or thematic-based workshop by Q4 2017 1.4 Engage consultant, conduct survey on ADB developing members PDM operations, and conduct the second regional forum by Q4 2018 1.5 Engage consultant and conduct the second country and/or subregion-specific and/or thematic-based workshop by Q4 2019 1.6 Engage consultant, conduct survey on ADB developing members PDM operations, and conduct third regional forum by Q4 2020, depending on demand and budget 1.7 Engage consultant and conduct the third country and/or subregion-specific and/or thematic-based workshop by Q4 2021, depending on demand and budget 2. Knowledge products developed 2.1 Develop website and/or dedicated portal on PDM by Q3 2017 2.2 Prepare synthesis report on insights and key lessons from regional forums and workshops by Q4 2018			

Inputs

Asian Development Bank: Technical Assistance Special Fund (TASF-V)	\$340,000
Technical Assistance Special Fund (TASF-other sources)	\$410,000

Assumptions for Partner Financing

Not applicable.

DMC = developing member country, PDM = public debt management.
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	60.0
b. International travel	15.0
2. Forums and workshops	
a. Participants' travel, accommodation, and per diem	340.0
b. Resource speakers	150.0
c. Forums and workshops administration costs ^b	110.0
3. Miscellaneous administration and support costs ^c	35.0
4. Contingencies	40.0
Total	750.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (\$340,000 from TASF-V and \$410,000 from TASF-other sources).

^b Includes conference rooms, meals during the events, and rentals of equipment to be used in the conduct of the forums and workshops.

^c Includes printing, courier, shipping, and other miscellaneous expenses.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. The technical assistance will require consulting services carried out by one international consultant for each forum and/or workshop.

2. **Public debt specialist** (international, 6 person-months on retainer basis). The specialist should have (i) experience in and knowledge of public debt management, as well as fiscal and monetary policy and management; (ii) knowledge of public debt management practices and challenges in Asia and the Pacific; (iii) experience working with government officials in the region; (iv) experience in similar assignments; and (v) at least a bachelor's degree. Public debt specialists' tasks will include the following:

- (i) designing surveys for forums and workshops to assess the status and training needs of target developing member countries regarding a public debt and risk management framework;
- (ii) formulating forum and workshop programs to meet developing member countries' requirements based on survey results;
- (iii) participating in forums and workshops as a resource speaker and/or facilitator;
- (iv) preparing forums and workshops and training materials according to requests from the Asian Development Bank;
- (v) assisting in selecting and inviting resource speakers for forums and workshops;
- (vi) preparing progress and summary reports for forums and workshops, including achievements versus targets, and future improvements; and
- (vii) undertaking ad hoc research, consultation, and/or advisory projects on PDM.