ADB

Technical Assistance Subproject Report

Republic of Tajikistan: Supporting Debt Management and Transparency
Subproject 3: Support to Public Debt Management in Tajikistan

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CWRD	–	Central and West Asia Department
MOF	–	Ministry of Finance
MTDS		Medium-Term Debt Strategy
SDFP	–	Sustainable Development Financing Policy
SOE	–	state-owned enterprise
TA	–	technical assistance

NOTE

In this report, "$" refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data
Project Number: 54442-004

Project Name	Supporting Debt Management and Transparency - Support to Public Debt Management in Tajikistan (Subproject 3)	**Department/Division**	CWRD/CWPF
Nature of Activity Modality	Capacity Development, Policy Advice Subproject	**Executing Agency**	Asian Development Bank
Country	Tajikistan		

2. Sector

	Subsector(s)	ADB Financing ($ million)
✓ Public sector management	Public expenditure and fiscal management	0.40
	Total	**0.40**

3. Operational Priorities

	Climate Change Information	
✓ OP2: Accelerating progress in gender equality	GHG Reductions (tons per annum)	0
✓ OP6: Strengthening governance and institutional capacity	Climate Change impact on the Project	Low

ADB Financing

Adaptation ($ million)	0.00
Mitigation ($ million)	0.00

Cofinancing

Adaptation ($ million)	0.00
Mitigation ($ million)	0.00

Sustainable Development Goals
SDG 5.b
SDG 17.4, 17.5

Gender Equity and Mainstreaming

Some gender elements (SGE)	✓

Poverty Targeting

General Intervention on Poverty	✓

4. Risk Categorization
Risk Categorization does not apply

5. Safeguard Categorization
Safeguard Policy Statement does not apply

6. Financing

Modality and Sources	Amount ($ million)
ADB	**0.40**
Knowledge and Support technical assistance: Technical Assistance Special Fund	0.40
Cofinancing	**0.00**
None	0.00
Counterpart	**0.00**
None	0.00
Total	**0.40**

Currency of ADB Financing: US Dollar

I.   THE TECHNICAL ASSISTANCE SUBPROJECT

A.   Overall Progress of the Technical Assistance Cluster

1.   The knowledge and support technical assistance (TA) cluster on Supporting Debt Management and Transparency, consisting of five subprojects, was approved by the Asian Development Bank (ADB) in November 2021.[1] In addition to this proposed TA subproject 3 for Tajikistan, subprojects 1 and 4 are expected to be committed in 2022, to support public debt management and transparency in Pakistan and the Kyrgyz Republic, respectively. Subproject 2 which will also support debt management and transparency in Uzbekistan and subproject 5 which will support public debt sustainability and transparency in Central and West Asia are expected to be approved by the fourth quarter of 2022.

B.   Subproject Outcome

2.   The TA subproject will have the following outcome: debt sustainability and transparency in the Republic of Tajikistan improved. ADB will leverage its experience to better support and promote sustainable borrowing practices and transparency in Tajikistan in four output areas: (i) fiscal risk management strengthened, (ii) Medium-Term Debt Strategy (MTDS) for 2023–2025 developed and implemented, (iii) government securities market strengthened, and (iv) Sustainable Development Financing Policy (SDFP) effectively implemented.

C.   Subproject Outputs, Methods, and Activities

3.   **Output 1: Fiscal risk management strengthened.** The proposed TA subproject will strengthen the capacity of the Ministry of Finance (MOF) to identify, quantify, manage and disclose fiscal risks stemming from guarantees to state-owned enterprises (SOEs) and public–private partnership agreements. This output may assist amendments to the Law on Public and Publicly Guaranteed Borrowing and Debt (enacted on 11 December 1999, No. 886) stipulating timely recording and reporting mechanisms for public debt, including debt of SOEs, and their public dissemination. This will also assist the MOF to: (i) conduct institutional and regulatory gap analysis for public debt management focusing on estimation, recording, monitoring and reporting on all financial liabilities, including status of transition to full accrual accounting; (ii) strengthen the capacity to record, monitor and report on all financial liabilities; (iii) transit from debt tracking system to the sixth edition of the Debt Management and Financial Analysis System; (iv) assist in the preparation of the law to amend the Law on Public and Publicly Guaranteed Borrowing and Debt; and (v) provide training and capacity building for staff of the MOF in various public debt management-related processes.

4.   **Output 2: Medium-Term Debt Strategy for 2023–2025 developed and implemented.** This TA subproject will support the MOF in developing and implementing its MTDS document for 2023–2025. The MTDS will clarify the government's plan over the medium-term in order to achieve its desired composition of the government debt portfolio, reflecting the government's preferences and obligations with regard to the prevalent cost and risk. The MTDS includes target ranges for indicators of interest rate, refinancing and foreign currency risks as well as debt service payment forecasts with sensitivity scenario analysis. The MTDS will derive debt sustainability target indicators for 2023–2025, based on debt sustainability analysis, which in turn inform indicative targets for annual borrowing plans for 2023–2025 for domestic and external debt. To support with development and implementation of the MTDS, ADB will assist MOF to: (i) assess

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[1] ADB. 2021.*Technical Assistance for Supporting Debt Management and Transparency*. Manila.

and evaluate the ongoing MTDS 2021–2023;[2] (ii) draft a MTDS 2023–2025 with target ranges for indicators of interest rate, refinancing, and foreign currency risks as well as debt service payment forecasts with the sensitivity scenario analysis; (iii) support analytical work needed to estimate adequate cash or reserves buffers needed to maintain debt sustainability; and (iv) provide other analytical and diagnostic support.

5.   **Output 3: Government securities market strengthened.** The securities market in Tajikistan is limited to a small government debt market in addition to the National Bank of Tajikistan's open market operations. Primary instruments on the domestic government securities market are exceedingly short-term discounted treasury bills, which are issued on a monthly basis with a maturity of 91 days. They are priced at 0.99% and purchased only by the Individuals Deposit Insurance Fund, which is required to invest its funds in treasury bills; the yield is unattractive to domestic and foreign investors.[3] There are only two auction participants: the state-owned bank and the Individuals Deposit Insurance Fund. A robust, commercially attractive government securities market, secondary trading in government securities, and the introduction of longer-term benchmark securities are needed for the capital markets to become an important source of government borrowing. Assistance under this output includes: (i) developing the government securities market, including establishing regular auctions for treasury bills and government bonds, at market interest rates. This includes assisting the MOF to: (a) identify the goals, annual raise targets, capacity of the market, desired maturities, primary clients, (b) revise regulations and operational guidelines, and (c) launch auctions at market-determined interest rates under a pilot program to test investor demand for longer tenor securities; (ii) developing benchmark bonds at suitable tenors to develop the yield curve; (iii) expanding the investor base for government bonds and develop investor relations; and (iv) providing training to MOF.

6.   **Output 4: SDFP effectively implemented.** The government and ADB agreed policy actions to support reforms, which were fully aligned with the World Bank's Debt Sustainability Enhancement Program, that address critical drives of public debt vulnerabilities in Tajikistan. In the SDFP Policy Actions 2022, the government committed, and focused on, (i) debt transparency, such as publication of annual public debt report for 2021 and audited annual statements of the 15 largest SOEs; (ii) fiscal sustainability, such as maintenance of zero non-concessional borrowing ceiling of new external public and publicly guaranteed debt throughout 2022; and (iii) debt management, such as amendment of the Law on Public and Publicly Guaranteed Debt to broaden the coverage of public and publicly guaranteed debt; and mandate the preparation of the Debt Management Strategy and annual public reporting on debt management operations. This output will support: (i) implementation of the policy actions agreed for 2022, including operationalizing integrated debt management information systems and providing MOF staff (at least 30% of which being women) with adequate training on selected software; (ii) identification of policy actions for SDFP 2023; (iii) monitor and report progress toward achieving policy actions under the SDFP 2022 and 2023; and (iv) carrying out assessment of impact of the SDFP on debt sustainability in Tajikistan.

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[2] Government of the Republic of Tajikistan, Resolution No.587 dated November 11, 2020 "On the Medium-Term Debt Strategy of the Republic of Tajikistan for 2021-2023," unpublished

[3] Individuals Deposit Insurance Fund is to ensure the financial stability of the Republic of Tajikistan, including maintaining public confidence in the banking system by operating the system of insurance of deposits of individuals. The deposit insurance system for individuals is a set of measures to protect the rights and legitimate interests of depositors by paying insurance compensation to depositors in the event of an insured event in credit institutions of a member of the Individuals Deposit Insurance Fund.

D.   Subproject Cost and Financing

7.   The TA subproject financing amount is $400,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 7). The key expenditure items are listed in Appendix 2.

8.   The government will provide counterpart support in the form of counterpart staff, office and housing accommodation, office supplies, secretarial assistance, domestic transportation, logistical assistance, and other in-kind contributions.

E.   Subproject Implementation Arrangements

9.   ADB will administer the TA subproject. The Public Management, Financial Sector, and Trade Division (CWPF) of ADB's Central and West Asia Department will administer and coordinate implementation, monitor measures to assess accomplishment toward TA subproject objectives, and enhance knowledge capture and dissemination. CWPF will coordinate closely with the Central and West Asia Department's Regional Cooperation and Operations Coordination Division and Tajikistan Resident Mission, the Strategy and Policy Department, and the Sustainable Development and Climate Change Department in the implementation of the TA subproject. A no-objection letter will be obtained before starting any undertaking in Tajikistan. Subproject activities will start only after approval.

10.   Implementation arrangements are summarized in the table.

Subproject Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	August 2022 – December 2024		
Executing agency	ADB		
Implementing agencies	CWRD (CWPF, CWRC, TJRM) SPD SDCC		
Consultants	To be selected and engaged by ADB		
	Individual: individual selection	International expertise (11 person-months)	$300,000
	Individual: individual selection	National expertise (8 person-months)	$100,000
Disbursement	Disbursement of TA resources will follow ADB's *Technical Assistance Disbursement Handbook* (2020, as amended from time to time).		

ADB = Asian Development Bank; CWPF = Public Management, Financial Sector, and Trade Division; CWRC = Regional Cooperation and Operations Coordination Division; CWRD = Central and West Asia Department; SDCC = Sustainable Development and Climate Change Department; SPD = Strategy, Policy, and Partnerships Department; TA = technical assistance, TJRM = Tajikistan Resident Mission.
Source: Asian Development Bank.

11.   **Consulting services.** The TA will require three international consultants (11 person-months in total) and two national consultants (8 person-months). ADB will engage the consultants following ADB Procurement Policy (2017, as amended from time to time) and its associated staff instructions.[4] In consultation with the MOF and ADB, the consultants will develop appropriate knowledge products such as recommendation reports and deliver a presentation on major findings and recommendations at an agreed event.

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[4] Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

SUBPROJECT DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with			
Governance and institutional capacity strengthened (Strategy 2030)[a]			

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outcome Debt sustainability and transparency improved	By December 2025 a. External debt as a share of total public debt decreased (2020 baseline: Tajikistan: 81%) (OP6.1; OP6.1.3) b. Number of low scores (D, D+, or C) in PEFA Pillar 3 indicators for PI-10 and PI-13 decreases by at least 50% compared to 2021 baseline (2021 baseline: 9 out of 13 indicators for PI-10 and PI-13 are scored D, D+, or C) (OP6.1; OP6.1.4)	a. Annual World Bank and IMF International Debt Statistics Report b. PEFA reports published upon completion of TA	R: The key risk stems from a prolonged COVID-19 outbreak. R: Negative external and domestic shocks divert capacity away from proposed reforms.
Outputs 1. Financial risk management strengthened	By December 2024 1a. Technical guidelines or identification, management, and reporting of contingent liabilities adopted (2022 baseline: no guideline) (OP6.1; OP6.1.1; OP6.1.3)	1a. MOF report	R: External factors, including geopolitical tensions, may pose challenges to sustainable policy commitment to proposed reforms
2. Medium-Term Debt Strategy for 2023–2025 developed and implemented	2a. MTDS updated annually and published by the MOF (2022 baseline: no annual update) (OP6.1: OP6.1.1)	2a. IMF Article IV report	
3. Government securities market strengthened	3a. Auctions at market-determined interest rates launched under a pilot program to test investor demand for longer tenor securities. (2022 baseline: no security auctions) (OP6.1: OP6.1.2; OP6.1.3)	3a. Results of the securities auction of the National Bank of Tajikistan	
4. Sustainable Development Finance Policy effectively implemented	4a. MOU on SDFP policy actions for 2021-2023 approved with all policy actions met. (2020 baseline: no policy actions identified) (OP6.1; OP6.2)	4a. ADB annual progress reports on implementation of policy actions under SDFP	
	4b. Integrated debt management information systems operational and MOF staff (at least 30% of which being women) provided with	4b. MOF report	

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
	adequate training on selected software. (2020 baseline: integrated debt management information system not fully operational) (OP2.1; OP2.3; OP6.1.1)		

Key Activities with Milestones

1. Financial risk management strengthened

1.1 Conduct institutional and regulatory gap analysis for public debt management focusing on estimation, recording, monitoring and reporting on all financial liabilities, including status of transition to full accrual accounting (Q4 2022);
1.2 Strengthen the capacity to record, monitor and report on all financial liabilities (Q2 2023);
1.3 Transition from debt tracking system to the 6th edition of the Debt Management and Financial Analysis System (Q4 2023);
1.4 Amend the Law on Public and Publicly Guaranteed Borrowing and Debt stipulating timely recording and reporting mechanisms for public debt, including debt of SOEs, and their public dissemination (Q2 2024); and
1.5 Provide training and capacity building for staff of the MOF in various public debt management-related processes (Q4 2024).

2.   Medium-Term Debt Strategy for 2023–2025 developed and implemented

2.1 Assess and evaluate of ongoing MTDS 2021–2023 (Q1 2023);
2.2 Draft a MTDS 2023–2025 with target ranges for indicators of interest rate, refinancing and foreign currency risks as well as debt service payment forecasts with sensitivity scenario analysis (Q2 2023); and
2.3 Assist in the implementation of MTDS 2023–2025 (Q4 2023).

3. Government securities market strengthened

3.1 Assist in developing the government securities market, including establishing regular auctions for T-bills and government bonds, at market interest rates (Q4 2023);
3.2 Assist the MOF in launching auctions at market-determined interest rates under a pilot program to test investor demand for longer tenor securities (Q2 2024);
3.3 Develop benchmark bonds at suitable tenors to develop the yield curve (Q2 2024);
3.4 Expand the investor base for government bonds and develop investor relations (Q2 2024); and
3.5 Provide training to MOF (Q4 2024).

4.   SDFP effectively implemented

4.1 Prepare debt sustainability and transparency diagnostic report (Q3 2022);
4.2 Support identification of policy action for SDFP 2023 (Q3 2022);
4.3 Support achievement of policy actions under the SDFP 2022 and 2023, including operationalizing integrated debt management information systems and providing MOF staff (at least 30% of which being women) with adequate training on selected software (Q2 2023); and
4.4 Monitor and report progress toward achieving policy actions under the SDFP 2022 and 2023 (Q4 2023).

Inputs

ADB: $400,000 (TASF 7)

ADB = Asian Development Bank, COVID-19 = coronavirus disease, IMF = International Monetary Fund, MOF = Ministry of Finance, MOU = memorandum of understanding, MTDS = Medium-term Debt Strategy, OP = operational priority, PEFA = public expenditure and financial accountability, Q = quarter, R = risk, SDFP = Sustainable Development Finance Policy, SOE = state-owned enterprise, T-bill = treasury bill, TA = technical assistance.
a ADB. 2019. *Strategy 2030 Operational Plan for Priority 6: Strengthening Governance and Institutional Capacity, 2019–2024*. Manila.
Contribution to Strategy 2030 Operational Priorities:

The expected values and methodological details for all OP indicators to which this TA will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 3 of the TA report).
Source: Asian Development Bank.

SUBPROJECT COST ESTIMATES AND FINANCING PLAN
($'000)

Item	Amount
A. **Asian Development Bank**[a]	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	223.2
ii. National consultants	44.0
b. Out-of-pocket expenditures	
i. International and local travel	31.2
ii. Reports and communications	7.0
c. Resource persons	30.0
2. Training, seminars, workshops, forums, and conferences[b]	30.0
3. Miscellaneous technical assistance administration cost[c]	5.0
4. Contingencies	29.6
Total	**400.0**

Note: The technical assistance (TA) is estimated to cost $400,000, of which contributions from the Asian Development Bank are presented in the table. The government will provide counterpart support in the form of counterpart staff, office and housing accommodation, office supplies, secretarial assistance, domestic transportation, logistical assistance, and other in-kind contributions. The value of the government contribution is estimated to account for 10% of the total TA cost.

[a] Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 7).

[b] The training will comprise in-country training, venue rental and related facilities; printing of workshop materials; translation and interpretation expenses; sponsorship to external capacity building events and international study tour, participants' travel expenses and allowances; payment for honorarium, airfare, per diem, and miscellaneous travel expense allowances of facilitators and resource persons, including ADB staff acting as resource persons, and representation.

[c] Includes translation and interpretation, printing and communications.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS
http://www.adb.org/Documents/LinkedDocs/?id=54442-004-TAReport

1.   Terms of Reference for Consultants
2.   Contribution to Strategy 2030 Operational Priorities