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OPERATION AND MAINTENANCE OF SUSTAINABILITY OF WATER RESOURCES INFRASTRUCTURE IN THE CASE OF IRRIGATION & DRAINAGE IN TAJIKISTAN

PFM in Action

**TA-6708 TAJ: OPERATION AND MAINTENANCE
SUSTAINABILITY OF WATER RESOURCES
INFRASTRUCTURE**

WHY High-Quality Financial Information Matters?

High-quality information profoundly enhances donors' capability to make informed decisions about allocating resources to a particular sector, entity, or country.

The Accounts Chamber of the Republic of Tajikistan has recently disseminated the latest actionable recommendation directed at ALRI, urging enhancements in its financial reporting protocols.

Essential Elements of PFM for ALRI, as a Public Service Provider Entity



Budget predictability

Stable Revenue Stream

Predictable budget allocation



Accountability through:

Financial Reporting

Performance Reporting



Relevant Controlling and
Monitoring Mechanisms:

Internal Audit

External Audit (State
Audit/ Private Audit)

Lessons Learned Over the Three Years: Realizing the Importance and Necessity of Putting Plans into Action

Implement comprehensive life-cycle cost analysis for substantial capital investments

Foster active stakeholder engagement and collaboration

Prioritize the professional development and retention of skilled experts

Intensify climate risk management through stringent strategies

Innovate asset utilization for versatile and multipurpose applications

Minimize energy usage and curtail losses from non-revenue water

Expedite the delivery of essential public services

Enhance public accountability through transparency and responsiveness

Establish precise performance benchmarks for continuous improvement

Commence the regular preparation of high-quality, reliable, audited financial statements

Devise and integrate costed investment plans into mid-to-long-term fiscal projections for sustained growth

Achievements and Plans

Achieved Progress:

ALRI

- Increased Service Fee (since 2024)
- Adoption of Cashless Payment Systems

MOF

- improved Debt Management Strategy (DMS)

Expected Achievements:

ALRI

- Using Accounting Software
- Issuing Audited Financial Statements

MOF

- Demonstrated commitments through Medium-Term Expenditure Framework (MTEF)

Applying Effective Fiscal Discipline

Improved Budgetary Discipline and Predictability

Clear fiscal rules enforce a level of budgetary discipline that can help ALRI plan and execute its projects with greater certainty. By understanding the limits and availability of funding over the medium to long term, ALRI can more effectively prioritize investments in irrigation and land reclamation.

Enhanced Efficiency and Allocation of Resources

With fiscal rules in place, ALRI can focus on optimizing resource allocation towards projects with the highest returns on investment and societal benefit. This ensures that limited resources are utilized most efficiently, contributing to sustainable agricultural development and water resource management.

Increased Transparency and Accountability

Fiscal rules require regular monitoring, reporting, and adherence to set fiscal targets, which can significantly increase the transparency of ALRI's financial operations. This transparency helps in building trust among stakeholders, including the government, donors, farmers, and the general public, by demonstrating prudent use of funds.

Applying Effective Fiscal Discipline (Continued)

Sustainability of Public Investments For ALRI

Depends on government allocations and external funding. Fiscal rules help ensure that investments in irrigation infrastructure are sustainable over the long term.

Mitigation of Fiscal Risks

Clear fiscal rules can help in identifying and mitigating fiscal risks related to ALRI's operations.

Facilitation of Long-Term Planning and Investment

The predictability and stability provided by fiscal rules facilitate long-term planning and investment in the agriculture sector.

Attracting External Funding

Demonstrating a commitment to fiscal discipline through clear rules can make ALRI and, by extension, Tajikistan more attractive to international donors and financial institutions.

Big Targets

To improve the livelihood of farmers

Integrate irrigation as a part of the whole agricultural farming value chain

Support to mitigate climate risks

Exceptional Financial Stewardship

Sustainable Resource Management

Innovative Solutions Implementation

Community and Stakeholder Engagement

Resilient Infrastructure Development

Excellence in Service Delivery

Expansion of Professional Expertise

Strategic Investment in Growth

Rigorous Risk Management

UTILIZING KEY STRATEGIES FROM A THREE YEAR PE



Broader Goals of Agriculture Development – Outside of ALRI's operating boundaries

- **Enhanced Agricultural Productivity:** Elevate farming efficiency through advanced irrigation techniques and water management practices.
- **Sustainable Farming Practices:** Promote environmentally sustainable methods that ensure long-term soil health and water conservation.
- **Increased Farmer Income:** Implement strategies aimed at increasing the profitability of farming, thereby boosting farmer income.
- **Education and Training:** Provide continuous education and training to farmers to improve their skills in modern agricultural practices.
- **Access to Markets:** Facilitate better access to local and international markets for farmers' produce.
- **Financial Empowerment:** Create opportunities for farmers to access affordable credit and financial services.
- **Technological Innovation:** Introduce and support the use of innovative agricultural technologies and equipment.
- **Community Development:** Engage in community-driven projects that improve the overall living standards of farming communities.
- **Health and Nutrition:** Address nutrition security by ensuring the production and availability of a diverse range of crops.
- **Resilience to Climate Change:** Develop and implement measures to make farming practices resilient to climate variability and change.
- **Policy Advocacy:** Advocate for policies that support the interests and rights of farmers.

Agriculture-development projects in Tajikistan

- Tajikistan: Building Resilience with Active Countercyclical Expenditures Program (Farmers Get Affordable Financing to Boost Food Supply (10%, 3 Years Loan in TJS)) – (ADB)
- Achieving Climate Change Objectives through Public Financial Management Reforms (ADB)
- Tajikistan - Strengthening Resilience of the Agriculture Sector Project (WB)

State Programs for Agro-Development Included in State Budget (int. Example - Georgia)

Co-financing agricultural machinery for agricultural cooperatives

Support of Agricultural Land-Owners

Plant The Future (with drip irrigation component)

Bioproduction Promotion Program

Preferential Agrocredit Project (Purchase of inventory and equipment, agro-leasing, secondary guarantees)

Pilot Program for Women

Co-financing of Processing and Storage Enterprises

Agro-insurance

Development of viticulture and winemaking

| | | |
|--------------------------------|--|---|
| Budget Code – 31 05 | State Budget Allocated to Agricultural Development Programs | \$200 MLN 0.31% of total GDP |
| Budget Code – 31 06 | Modernization of Irrigation Infrastructure | \$ 30 MLN |

Toward a Sustainable and Resilient Tomorrow

Concluding Remarks & Future Directions



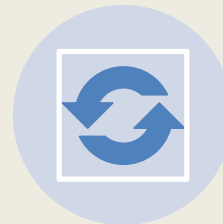
Uniting for the sustainability of water resources



Acknowledge the critical importance of high-quality financial information for knowledgeable decision-making



Focus on budget predictability, accountability, and robust controlling and monitoring mechanisms.



Comprehensive life-cycle cost analysis, stakeholder engagement






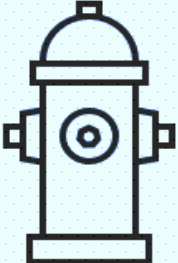
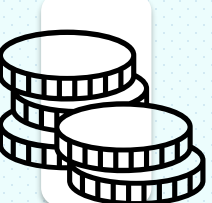
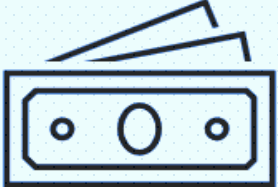




Integrate Innovation in asset utilization



Commit to Excellence - strive for exemplary financial stewardship and sustainable resource management

ALRI's Operational Highlights (2022)

| | | | | |
|---|--|--|--|---|
| <p>Total irrigated lands ha</p>  | <p>Total number of water users</p>  | <p># of WUAs</p>  | <p>Irrigation land within WUA ha</p>  | <p>Water supplied, billion m³.</p>  |
| <p>550 Th Ha</p> | <p>62 540</p> | <p>346</p> | <p>404 143</p> | <p>4.23</p> |
| <p>Water Extracted, billion m³.</p>  | <p>Revenue Accrued ISF, TJS MLN</p>  | <p>Collected ISF TJS MLN</p>  | <p>Electricity Consumed, TWh</p>  | <p>Water supply satisfaction rate, %</p>  |
| <p>5.83</p> | <p>80.5</p> | <p>69</p> | <p>1.43</p> | <p>99</p> |

ALRI's Operational Highlights (Continued)

| Measurement | Data |
|--|------------------------|
| Pumped Irrigation Land | about 50% |
| Consumed Electricity | 1.44 TWH |
| Irrigation Service fee | 5 Dirams/m3 |
| Collected Revenue from Customers | TJS 70 MLN |
| Government Support /operations | TJS 80 MLN |
| Total Disposable Operating Funds | TJS 150 MLN |
| Electricity Cost | TJS 127 MLN |
| Unpaid Electricity Bills | 70 % from Total |
| Electricity tariff (TJS/kWh) | 9.2Diram/kWh |
| Available funds for other expenses is | USD 3.5 per Ha |
| Annual Spending on Capital Projects (outside of ALRI's financial statements) | \$20-\$25 MLN |

Tajikistan's Macroeconomic Indicators

| General government finances | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|----------------|--------|--------|---------|---------|-----------|-----------|
| | | Actual | | | | Estimated | projected |
| Revenue and grants | Percent to GDP | 26.8 | 24.8 | 27 | 27.5 | 28.2 | 26.2 |
| Tax revenue | | 19.9 | 18.3 | 19.5 | 19.5 | 19.6 | 19.8 |
| Expenditure and net lending | | 28.8 | 29.2 | 27.6 | 28.9 | 30.7 | 28.7 |
| Current | | 16.7 | 17.1 | 16.4 | 16.4 | 16 | 16 |
| Capital | | 12.1 | 12.1 | 11.3 | 12.5 | 14.7 | 12.7 |
| Overall balance (excl. PIP and stat. discrepancy) | | 1.7 | -2.2 | 0 | 1.5 | 1.4 | 1.1 |
| Overall balance (incl. PIP and stat. discrepancy) | | -2.1 | -4.3 | -0.7 | -1.4 | -2.5 | -2.5 |
| Total public and publicly-guaranteed debt | | 43.5 | 49.8 | 42.5 | 34.6 | 32.3 | 31.3 |
| Memorandum items: | | | | | | | |
| Nominal GDP (in millions of somoni) | | 79,110 | 83,958 | 101,076 | 115,739 | 129,183 | 143,770 |
| Nominal GDP (in USD Million) | | 8,301 | 8,135 | 8,937 | 10,493 | 11,744 | 13,130 |
| Average exchange rate (somon per U.S. dollar) | | 9.53 | 10.32 | 11.31 | 11.03 | 11 | 10.95 |

* Source – IMF report 2022 Article IV



Thank You