

Foreword

ADB's Charter (the Agreement Establishing the Asian Development Bank, August 1966) places a clear fiduciary responsibility upon ADB to ensure that projects are financially viable and sustainable, that funds are used for their intended purpose and that the Borrower has the capacity to fulfill obligations under the loan agreements.

Financial management and analysis of ADB projects has been conducted since ADB was founded. To improve the uniformity, approach, and coverage of financial analysis, ADB issued *Guidelines for the Preparation and Presentation of Financial Analysis* in 1989. Over time, the *Guidelines* have been periodically reviewed and amended to reflect the changing environment in which ADB operates.

The *Guidelines* describe ADB's philosophy, policies, and approach to financial management of executing agencies and financial analysis of investment projects. They have been prepared for the benefit of ADB staff and consultants who evaluate financial management practices of executing agencies and undertake financial analysis of investment projects.

The new title—*Financial Management and Analysis of Projects*—reflects changes in ADB policies and procedures since 2000. In particular, it reflects renewed appreciation that sound financial management in executing agencies is a key determinant of financial sustainability.

ADB deals with countries and sectors that are at different stages of development and that have different resources, and capacities. Recognizing this, the *Guidelines* need to be applied in a realistic, practical, and flexible manner. ADB financial analysts and financial management specialists have the discretion to determine the extent to which the *Guidelines* will apply in particular circumstances.

The advice, directions and recommendations in the *Guidelines* should not be regarded as a substitute for initiative. ADB staff should always exercise resourcefulness and imagination in reaching sound professional judgments.

GEERT VAN DER LINDEN
Vice President
Knowledge Management and Sustainable Development
July 2005

Key Information on these Guidelines

What are these Guidelines?

The Asian Development Bank (ADB) publishes the *Financial Management and Analysis of Projects* (the Guidelines). The Guidelines set out ADB's requirements and procedures for the financial management of projects financed by ADB, for instance, financial reporting, and auditing requirements. They also provide guidance on how to apply these requirements.

When are the Guidelines updated?

The Guidelines are available as a downloadable document (abridged), via lotus notes, on the intranet at <http://intra.asiandevbank.org/fmguide/> and on CD-ROM. The Guidelines are also available in the internet at www.adb.org/documents/guidelines/financial.

The web-based Guidelines and the downloadable copy of the Guidelines are updated. A list of changes to the Guidelines can be accessed online. After reviewing these changes, users may decide to download an uptodate copy of the Guidelines from the website.

What recent changes have been made to the Guidelines?

ADB's 1989 Guidelines were reviewed and re-released in November 2001. The changes to the 2001 Guidelines reflected developments in financial management practices, changes in accounting and auditing standards, and harmonization efforts by the multilateral development banks, including ADB. The Guidelines were further reviewed, and technical adjustments made in 2005.

Who can I ask for help on the Guidelines?

If your question is related to a project or program, please contact the responsible ADB project officer in the first instance. Otherwise, contact:

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Acronyms

The following acronyms are used throughout these Guidelines. A fuller list of common ADB acronyms is accessible at www.adb.org.

ADB	Asian Development Bank
ADF	Asian Development Fund
AfDB	African Development Bank
APA	audited project accounts
BCBS	Basle Committee for Banking Supervision (BIS)
BIS	Bank for International Settlements
BTOR	back-to-office report
CAPA	Confederation of Asian and Pacific Accountants
CFAA	Country Financial Accountability Assessment (World Bank)
CFS	Corporate Financial Statements
COSO	Central Operations Services Office
CPA	Certified Public Accountant
CSP	country strategy program
DMC	Developing Member Country
DSAA	Diagnostic Study of Accounting and Auditing
EA	Executing Agency
EBRD	European Bank for Reconstruction and Development
ED	exposure draft
EIRR	economic internal rate of return
ENPV	economic net present value
EU	European Union
FARAH	Financial Accounting, Reporting and Auditing Handbook (World Bank)
FASB	Financial Accounting Standards Board (United States)
FCDD	financial charges during development
FI	Financial Institution
FIL	financial institution loan
FIRR	financial internal rate of return
FNPV	financial net present value
FOCC	financial opportunity cost of capital
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
IA	Implementing Agency (also PIU)
IAASB	International Audit and Assurance Standards Board
IADB	Inter-American Development Bank
IAPC	International Auditing Practices Committee (IFAC)
IAPS	International Auditing Practice Statement (issued by IAPC)
IAS	International Accounting Standards (issued by IASB)

IASB	International Accounting Standards Board (formerly IASC)
IASC	International Accounting Standards Committee
IEG	International Education Guideline (issued by IFAC)
IES	International Education Standard (issued by IFAC)
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standard (issued by IASB)
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IOSCO	International Organization of Securities Commissions
IPSAS	International Public Sector Accounting Standard (issued by IFAC)
ISA	International Standards on Auditing (issued by IAPC)
LIBOR	London interbank offered rate
MDB	Multilateral Development Bank
MFI	microfinance institution
MIGA	Multilateral Investment Guarantee Agency
MOF	Ministry of Finance
MRM	Management Review Meeting
NGO	Nongovernment Organization
OCR	ordinary capital resources
OECD	Organization for Economic Cooperation and Development
OIST	Office of Information Systems and Technology
OM	Operations Manual
PAI	Project Administration Instructions
PAU	Project Administration Unit
PCR	Project Completion Report
PIU	Project Implementing Unit (also IA)
PMU	Project Management Unit
PPTA	Project Preparatory Technical Assistance
PSC	Public Sector Committee (IFAC)
PSOD	Private Sector Operations Department
REEA	Revenue Earning Executing Agency
RETA	Regional Technical Assistance
ROE	return on equity
ROR	rate of return
ROSC	Report on the Observance of Standards and Codes (World Bank–IMF)
RRP	Report and Recommendation of the President (ADB)
SAI	Supreme Audit Institution
SFR	self-financing ratio
SI	sensitivity indicator
SME	small-medium-scale enterprise
SOE	Statement of Expenditure
SRC	Staff Review Committee
TA	Technical Assistance

TOR	Terms of Reference
UNCTAD	United Nations Conference on Trade and Development
WACC	weighted average cost of capital
WTO	World Trade Organization

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