

# TECHNICAL ASSISTANCE COMPLETION REPORT<sup>1</sup>

Division: CWFM

TA 6122-REG: Capacity Building of Executing Agencies for Financial Management of Projects in East and Central Asia		Amount Approved: \$450,000	
		Revised Amount: n.a.	
Executing Agency: Asian Development Bank	Source of Funding: TASF	Amount Undisbursed: \$107,637.72	Amount Utilized: \$342,362.28
TA Approval Date: 17 September 2003	TA Signing Date: n.a.	Fielding of First Consultant: 1 April 2004	TA Completion Date Original: 30 June 2005 Account Closing Date Original: 30 June 2005
		Actual: 26 January 2006  Actual: 14 February 2006	
<b>Description</b>			
<p>This technical assistance (TA) aimed to familiarize officials of Developing Member Countries (DMCs) of the East and Central Asia Department (ECRD) with Asian Development Bank (ADB) policies and procedures regarding the financial management (FM) of ADB-financed investment projects, as set out in the <i>Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB</i> (the Guidelines).</p>			
<b>Expected Impact, Outcome and Outputs</b>			
<p>The TA's expected impact is improved project quality. Its outcome is better performance, sustainability and compliance with covenants through improved financial management. The TA design is relevant as ADB's charter requires ADB to ensure that the funds from any loans or guarantees from ADB are used only for their approved purposes, economically and efficiently. The expected outputs included: (i) translated <i>Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by ADB</i> (the Handbook) in selected local languages; (ii) diagnostic studies of accounting and auditing (DSAs) for Kazakhstan, the People's Republic of China (PRC), Mongolia, and Uzbekistan; (iii) Financial Management Reviews (FMRs) for selected countries, including Mongolia, Kazakhstan, the Kyrgyz Republic and Uzbekistan; and (iv) training programs on FM.</p>			
<b>Delivery of Inputs and Conduct of Activities</b>			
<p>The TA was extended by seven months to accommodate a request by the PRC for additional workshops, designed for the auditors of the China National Audit Office (CNAO). ADB agreed to co-sponsor with CNAO two workshops so that knowledge gained by CNAO staff in these workshops will better facilitate audit of ADB projects by CNAO. The TA utilized 10.9 person-months of international consulting services against the original 10 months envisaged, to accommodate the additional workshops. Against the original allocation of 14 person-months of national consulting services, the TA utilized only a total of 7 person-months as this was sufficient enough to meet the required deliverables. The consultants' performance was excellent overall.</p>			
<p>ADB, as the TA's EA, ensured that the consultants reported regularly on TA activities. ADB review missions coincided with in-country workshops to participate in the training programs. Workshop participants were active in providing suggestions for possible improvements in the workshop program that can further assist them in their working environments. ADB staff and consultants noted these suggestions and have agreed to modify certain aspects of the training program to meet the needs and aspirations of participants in succeeding workshops. ADB's performance is rated satisfactory.</p>			
<b>Evaluation of Outputs and Achievement of Outcome<sup>2</sup></b>			
<p>As planned, the TA supported the translation of the Handbook into Chinese, Mongolian, Russian, Uzbek, Kazakh, Azeri and Kyrgyz languages. For Central Asian Republics (CARs), only the Russian Handbook was printed in hardcopy and circulated since Russian is spoken and understood in the CARs. Softcopies of the Handbook in local languages were uploaded in the websites of the respective ADB resident missions to make it easier for those interested to download a copy of the Handbook in a language of their choice through the websites.</p>			
<p>The TA supported workshops for participants from Azerbaijan, the PRC, Kazakhstan, the Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan. The training programs explained ADB's expectations and requirements for financial management, and considered the practical application of these requirements. The workshop participants appreciated the well-organized and very informative sessions. The training materials were found to be well-designed</p>			

<sup>1</sup> In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

<sup>2</sup> ADB Results Framework indicators are not applicable to this TA.

and well-prepared, and the use of case studies was deemed to be a very good approach. The participants became more familiar with ADB's requirements, which in turn could help their work in project implementation and administration. The participants have requested that training on financial management should be intensified and conducted on a regular basis.

The TA also helped in the preparation of FMRs for Mongolia, Kazakhstan, the Kyrgyz Republic and Uzbekistan. The FMRs comprehensively assessed the soundness of the FM systems and practices of the EAs, identified issues and problems faced by EAs in complying with project financial covenants and ADB's financial requirements, and identified generic FM issues that affect project implementation and financial performance. The outputs were thoroughly aided by surveys, data analysis, field visits and workshop discussions. The TA also facilitated the preparation/updating of DSAs for Kazakhstan, the PRC, Mongolia, and Uzbekistan. The DSAs described financial management and governance arrangements in these countries, identified their deficiencies and presented recommendations for improvement. Based on the positive feedback during workshops, the EAs have committed to adopt the consultants' recommendations under the TA. All reports prepared under the TA were widely distributed to all stakeholders.

### **Overall Assessment and Rating**

The TA is rated successful. It was implemented economically and effectively. The deliverables were met with 27% savings in the TA amount. Drawing on the positive experience gained from this TA, ADB followed through on this initiative by subsequently processing a series of regional TAs focusing on strengthening accounting and auditing standards in line with International Financial Reporting Standards and International Standards on Auditing.<sup>3</sup>

### **Major Lesson**

An important and interesting finding during TA implementation was that while ADB advocated DMCs' understanding of the importance of ADB's financial management policies, ADB's own project processing and implementation mission leaders at times paid inadequate attention to projects' financial management. Feedback from DMCs reported that ADB staff did not explain details of ADB's financial management requirements to DMC project staff at inception nor did ADB staff meet the national auditors to explain ADB's audit requirements.

### **Recommendation and Follow-Up Action**

It is suggested that ADB's loan review missions should include a Financial Management Specialist or Financial Analyst in the team. If necessary, special training or counseling to mission leaders is suggested. Coordination among concerned ADB departments and resident missions is also important for continued assistance in improving financial management of EAs. Strategically, ADB should nurture the capacity it has built in DMCs under this TA by ensuring that it is following internationally accepted best practices in financial management of its funded projects and programs. The TA has successfully provided the necessary tools and initial platform for improvements in this area.

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<sup>3</sup> ADB. 2005. *Technical Assistance for Enhancing Financial Disclosure Standards in Transitional Economies*. Manila; ADB. 2008. *Technical Assistance for Enhancing Financial Disclosure Standards in Armenia, Azerbaijan, and Georgia*. Manila.