



# Technical Assistance Report

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Project Number: 40119  
July 2006

## Proposed Regional Technical Assistance Capacity Building for Financial Institutions

## ABBREVIATIONS

ADB	–	Asian Development Bank
FI	–	financial institution
MTS	–	medium-term strategy
ORM	–	operations risk management
PSOP	–	Private Sector Operations Division, ADB
SMEs	–	small and medium-sized enterprises
TA	–	technical assistance

## TECHNICAL ASSISTANCE CLASSIFICATION

<b>Targeting Classification</b>	–	General Intervention
<b>Sector</b>	–	Finance
<b>Subsector</b>	–	Banking system, finance sector development
<b>Themes</b>	–	Sustainable economic growth, governance, private sector development
<b>Subthemes</b>	–	Promoting economic efficiency and enabling markets, financial and economic governance, private sector investments

## NOTE

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

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## I. INTRODUCTION

1. The poverty reduction strategy<sup>1</sup> which was adopted by the Board in November 1999, makes clear that without a strong financial sector, progress toward economic development, and hence poverty reduction, is exceedingly difficult. ADB's medium-term strategy II: 2006–2008 (MTS II)<sup>2</sup> validated the Asian Development Bank's (ADB) focus on the financial sector by establishing it as a core ADB priority. Indeed, a healthy financial sector contributes to sustainable economic growth and, ultimately, poverty reduction. Essentially, the financial sector connects savers and users of capital and, therefore, functions as the nervous system for most of the world's economic activities, locally and globally, from the smallest microcredit provided in a rural village to the largest capital market issuance. However, in most if not all of its developing member countries (DMCs), the financial sector is inefficient or inadequate to serve the needs of the economy, which leads to credit allocation that is inefficient and not necessarily market-based; consequently, economic growth is limited, employment is stilted, and the indirect benefits to poverty reduction do not occur.

2. Consequently, as one of its main activities, ADB undertakes a wide variety of financial institution (FI) interventions, adding value to the respective FIs through various modes of financing, governance inputs (generally in the form of board participation as appropriate), and other methods of know how transfer and capacity building (generally in the form of technical assistance [TA]). The specifics of each transaction differ, based on the needs, constraints, and opportunities of each market, institution, and intervention, but in almost every instance, TA is necessary to build stronger and deeper FIs, thus improving their potential contributions to their respective financial sectors as well as ADB's commercial returns (as such targeted FI interventions would subsequently receive or have already received ADB assistance).

3. ADB firmly believes that TA that parallels actual ADB investments in the FIs (i) assures the best-needs assessment of the target FIs (given the thorough due diligence involved during the investment process), (ii) enhances the level of cooperation from the FIs' management with regard to implementation and eventual adoption of the TA, and ultimately (iii) yields the highest potential impact—developmental and commercial—for both the ADB TA as well as investment inputs.

4. This paper describes a regional TA that ADB will use to support these activities; although the structure of the TA allows ADB flexibility in responding to the specific needs of individual FIs, all the activities funded by the TA support the themes of building stronger, deeper financial institutions, and increasing the financial and developmental impacts of ADB's interventions in four key, pre-selected areas: (i) corporate governance and internal controls, (ii) anti-money-laundering and anticorruption efforts, (iii) environmental management system and safeguards, and (iv) small and medium-enterprise (SME) financing strategies.

## II. ISSUES

### A. Strategic Approach of ADB for Financial Institution Interventions

#### 1. Overview

5. ADB undertakes FI interventions by working with banks, insurance companies, nonbank credit companies, leasing companies, exchanges, depositories, etc. (together: FI), following two different approaches with distinctive goals:

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<sup>1</sup> ADB. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*. Manila.

<sup>2</sup> ADB. 2006. *Medium-Term Strategy II: 2006–2008*. Manila.

- (i) development of the financial sector to improve mobilization of savings and extension of credit, and
- (ii) delivery of ADB funds through FIs to real-sector entities that cannot efficiently be reached directly by ADB's operations.

## 2. Public–Private Coordination and Synergies

6. Specific opportunities are identified by various referrals and through proactive marketing by ADB's private sector operations. Both needs analysis and identification of opportunities are natural areas of cooperation between the public and private sector departments.

### B. ADB Private Sector Financial Institutions Interventions and Provision of Additional ADB Technical Assistance

7. ADB FI interventions via its private sector window include (i) the resolution of specific problem institutions; (ii) the filling of market gaps through creation of new institutions; (iii) the provision of regulatory capital (equity, subordinated debt, other capital instruments) to key institutions to support capital ratios and asset expansion; (iv) the provision of funding (additional liquidity, longer tenors, foreign or domestic currencies, etc.) to key institutions to expand assets and improve asset–liability management; and (v) targeted onlending programs to priority sectors such as small and medium-sized enterprises (SMEs), leasing, agriculture, infrastructure, housing, trade finance, etc. (via debt facilities, partial credit guarantees). Interventions can take the form of lending (loans, bonds, etc.), equity investments, hybrid instruments (e.g., preferred stock, subordinated debt, convertible debt, etc.), partial credit and political risk guarantees, and other appropriate instruments.

8. The FIs with which ADB chooses to work are high-potential institutions that would benefit both from financial assistance, and from strategic and operational improvements provided by ADB as part of an ongoing effort of additional know-how transfer and capacity building. ADB has, in line with the MTS II and the various financial sector road maps and country strategies, prioritized four areas of such capacity building: (i) corporate governance and internal controls, (ii) anti-money-laundering and anticorruption efforts, (iii) environmental management system and safeguards, and (iv) SME financing strategies. The underdevelopment of these aspects of FIs' operations in ADB's DMCs constrains their business on a number of different levels:

- (i) **Corporate governance and internal controls.** Poor corporate governance in the areas of risk management and internal controls may take the form of non-transparent audit results, lack of independence of audit or risk management functions, inappropriate credit assignment authority, etc. All of these can lead to difficulties in meeting listing requirements for initial public offerings, attracting strategic investors, and other activities likely for growing companies.
- (ii) **Anti-money-laundering and anticorruption efforts.** FIs often face potential problems in money laundering, corruption, and fraud, which damage the FIs themselves and also generate perceived risk to depositors and investors, undermining the customer trust that is essential for the growth of sound FIs.<sup>3</sup>
- (iii) **Environmental management system and safeguards.** Good environment

<sup>3</sup> Bartlett, B. 2002. *The Negative Effects of Money Laundering on Economic Development*. Manila: ADB.

management systems, safeguards, and policies signal that a corporation will contribute to environmental protection, and is also dedicated to managing risks and opportunities intelligently while gaining a long-term competitive business advantage in the market. The development and implementation of such systems and policies, however, can often prove challenging for FIs to undertake without outside expertise.

- (iv) **SME financing strategies.** Although the SME financing market has huge potential for many FIs, it can often be difficult for the FIs to determine appropriate strategies for penetrating or extending their reach into the market. Even if they are active in the SME sector, they may lack the appropriate risk management systems to engage in these activities responsibly.

### III. THE PROPOSED TECHNICAL ASSISTANCE

#### A. Impact and Outcome

9. The purpose and anticipated impact of the TA is to strengthen and deepen the capacity of FIs in which ADB makes private sector investments (equity, loans, etc.), by improving corporate governance, combating money laundering and corruption, improving environment and social safeguards, and improving penetration into the SME market. These will help ensure that ADB's private sector transactions are as high impact as possible. Appendix 1 presents the design and monitoring framework for this TA.<sup>4</sup>

10. The expected TA outputs will depend on and be customized to the selected institution and intervention according to needs of the FI, as collaboratively identified by the FI and ADB. However, any given TA will likely (i) review, formulate, and redraft FIs' policies and procedures for corporate governance and internal controls, as well as related workshops; (ii) review, formulate, and redraft policies and procedures against money laundering, terrorism, and corruption, as well as related training workshops; (iii) hold workshops on environmental safeguards training, as well as help formulate policies for such safeguards; and (iv) review, formulate, and redraft an SME financing strategy. Any activity would start only after ADB had received a no-objection in writing to the TA from the government in the country in which activities under this TA are being conducted.

#### B. Selection of Financial Institutions

11. The TA will target FIs that are or are expected to become ADB's borrowers and investees.

##### 1. Country Selection

12. The financial sector in each country has its own needs with respect to ADB's private sector focus areas. Such needs assessment, i.e., analysis of a country's financial sector for shortcomings, is based on various sources, including the country strategy program and private sector assessment, third-party research, and bespoke research. These identified needs will be customized within ADB's private sector skill set, strategic themes, and focus areas, and will warrant different types of interventions.

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<sup>4</sup> Each activity funded by this TA will have its own development impact framework, which will measure ADB's intervention as a whole, i.e., all the various components: (i) in terms of ADB's additionality, especially the effectiveness of the provision of capital to support a particular activity or theme, and of capacity building via the provision of TA; and (ii) the effectiveness of market building via the demonstration effect created and others). ADB's impact development framework follows closely that of the other multilateral development banks. PSOP is working on this in close coordination with the Operations Evaluation Department.

13. Strategically, because of their limited size, ADB's private sector operations will concentrate on transactions offering the right combination of financial and developmental opportunities, as well as likelihood of transaction closure. To increase its impact and readiness to react, ADB has hired or seconded dedicated staff for its private sector operations in certain key markets: the People's Republic of China, India, and Thailand (and the Philippines, where ADB has a natural presence). Over time, ADB plans to increase its private sector presence further along these lines in other key markets, including Indonesia, Kazakhstan, Pakistan and Viet Nam. It is in these markets that ADB is likely to finance activities initially under the TA. It is hoped that over a period of time and after gaining the requisite experience that ADB will be able to carry out activities in the more underserved regions of Asia.

## 2. Individual Financial Institution Selection

14. From a business perspective, ADB will seek to calibrate its interventions within an engagement spectrum that balances the variety of selected transactions with varying degrees of (i) commercial risk, (ii) financial return, (iii) development effectiveness, and (iv) opportunistic market demand. The goal of this approach is to achieve a sustainable deal-flow that encompasses robust flow transactions, high-impact but higher-risk developmental deals, and responsive interventions by market-driven requests from ADB's private sector partners.<sup>5</sup> It is these criteria which will ultimately guide selection of the individual FIs eligible for intervention and the TA.

15. Most of ADB's private sector business is based on direct requests to ADB from the private sector. However, ADB does seek to undertake its own business origination by proposing to its private sector clients certain business opportunities. In addition, there is a certain amount of referral business from existing contacts as well as other multilateral and bilateral development banks. Importantly, regardless of the channel used to select the particular FI (i.e., for ADB's private sector intervention) ADB expects that the selected FIs, once deemed fit for an ADB private sector investment, would also be assessed and deemed qualified to receive assistance (if required) under the criteria of this proposed TA.

### C. Methodology and Key Activities

16. The methodology and key activities of the TA will depend on the specific institution and intervention proposed. However (understanding that significant latitude exists to provide other support as necessary), likely activities and sub-activities will include the following:

17. **Corporate Governance and Internal Controls.** Funding would be used to do the following:

- (i) Provide training to senior staff on general corporate governance issue.
- (ii) Advise management on internationally accepted best practices for internal controls.
- (iii) Examine the FI's organizational structure, particularly the extent of separation of roles and responsibilities between various departments and risk management groups or committees in terms of managerial functions; assess whether sufficient safeguards exist to ensure adequate internal controls and oversight.
- (iv) Report on observations and recommendations based on best practices, including

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<sup>5</sup> ADB's private sector operations is seeking to duplicate certain successful business models or products (e.g., term loans) to increase the flow side of its business and the visibility of ADB and PSOP with respect to private sector development in the market. This will, in the long term, increase not only ADB's market standing and acceptance, but also the impact of its interventions, i.e., ADB's development impact. In addition, this approach will ensure a healthy and steady stream of transactions with a developmental impact, while at the same time bolstering ADB's long-term market role and viability. Furthermore, PSOP also seeks to convert developmental pilot transactions into replicable business models and products.

recommending amendments or changes to internal control policies and procedures, streamlining current systems, etc.

- (v) Help revise the internal control policies and procedures.

18. **Anti-Money-Laundering and Anticorruption Efforts.** Funding would be used to do the following:

- (i) Review and assess the current anti-money-laundering and anticorruption policies and procedures.
- (ii) Report on observations and recommendations based on best practices, including recommending amendments or changes to anti-money-laundering and anticorruption policies and procedures, streamlining current systems, etc.
- (iii) Help revise the current anti-money-laundering and anticorruption policies and procedures.
- (iv) Design training and undertake a workshop on anti-money-laundering and anticorruption awareness and safeguards.
- (v) Help management decide how to approach technology enablement and/or support for suspicious transaction reporting and know-your-customer with respect to anti-money-laundering efforts.

19. **Environmental Management System and Safeguards.** Funding would be used to do the following:

- (i) Develop and conduct a workshop on environmental issues and safeguards training. Outputs could include: (a) training curriculum and materials, (b) improved understanding and skills of workshop participants in identifying and managing environmental risks and enhanced awareness of potential for expanded business opportunities on sustainability products and services, and (c) enhanced awareness of workshop participants about national environmental safeguard policies and requirements.
- (ii) Assist in developing and drafting an environmental management system in compliance with national laws and regulations.

20. **SME Financing Strategies.** Funding would be used to do the following:

- (i) Review existing SME financing products.
- (ii) Review financing and product needs of customer base and other potential customer segments.
- (iii) Provide international benchmarks for SME financing and relevant products, and risk mitigation and concerns.
- (iv) Develop an SME financing strategy.
- (v) Help design missing financing products.

#### **D. Cost and Financing**

21. The total cost of the TA is estimated at \$1,350,000 equivalent. The TA will be financed on a grant basis from ADB's TA funding program.<sup>6</sup> Appendix 2 presents the indicative cost estimates and financing plan.

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<sup>6</sup> It should be noted that the implementation—and cost—of the TA will be left with the selected FI. In other words, ADB will undertake a gap analysis, for instance, with respect to anti-money-laundering, review policies and procedures and advise the FI on the next steps. The FI will then subsequently install new information technology systems based on the analysis undertaken by ADB.

## **E. Implementation Arrangements**

22. ADB will be the Executing Agency for the purposes of the TA. ADB's private sector operations department will be responsible for all technical implementation issues. The TA activities will be implemented with the assistance of international and national consultants and firms. Indicative terms of reference for the consultants to be hired are provided in Appendix 3 and Appendix 4. The consultants will be engaged by ADB by way of single-source selection and in accordance with the *Guidelines on the Use of Consultants*. Single-source selection is required and justified for the purposes of the TA as only a small number of international firms with local affiliates or specialized local firms can provide the services required in accordance with best international practice, be able to provide a "one-shop" service, have the local language skills required, and have previous experience in the financial sector in the various countries and with respect to the various issues to be covered.

23. ADB and each FI receiving the TA will form a project planning and coordination committee, comprising representatives at appropriate levels from the FI and ADB. The coordination committee will organize regular consultative meetings and a final dissemination workshop followed by discussions of the findings. The FI will nominate appropriate officers and senior managers for the training component related to environmental and social safeguards. (Appendix 4 presents further details on this training component.) The TA will be implemented over 24 months from the commencement date, which will coincide with the approval date of the TA.

## **IV. THE PRESIDENT'S RECOMMENDATION**

24. The President recommends that the Board approve the provision of technical assistance not exceeding the equivalent of \$1,350,000 on a grant basis for capacity-building for financial institutions.

## DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
<p><b>Impact</b></p> <p>For FIs with which ADB undertakes interventions, improve corporate governance practices in the areas of risk management and internal controls, anti-money laundering and anticorruption, as well as environmental risk assessment, and improve strategies related to penetrating the SME market</p>		<p>Published reports</p> <p>Consultations with FIs</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Cooperation from FIs at senior and middle-manager levels regarding timely sharing of current policies and procedures</li> <li>• Acceptance of recommendations to change policies and procedures</li> </ul>
<p><b>Outcome</b></p> <p>Strengthen current policies and procedures to ensure strong corporate governance, and extend reach of FIs into the SME market</p>	<p>Revised policies and procedures</p> <p>Training sessions for anti-money laundering and environmental assessment for senior and middle managers of FIs</p> <p>Revised strategies and tactics for reaching the SME market</p>	<p>Final recommendations to FIs regarding policies and procedures for AML and EMS, and regarding strategy for SMEs</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• FIs' willingness to cooperate in the implementation of revised procedures, policies, and strategies</li> <li>• FIs' commitment to implementing the enhanced policies, procedures, and strategies, and in formulating effective management policies to improve governance</li> </ul>
<p><b>Outputs</b></p> <p>1. Enhanced risk management and internal control policies and procedures</p>	<p>Enhanced policies and procedures available within 9 months of the advisory technical assistance inception</p>	<p>Reports and strategies published and disseminated throughout relevant FI departments</p>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Commitment of the FI to collaborate and share full information regarding current policies and procedures</li> </ul>

<b>Design Summary</b>	<b>Performance Targets and/or Indicators</b>	<b>Data Sources and/or Reporting Mechanisms</b>	<b>Assumptions and Risks</b>
<p>2. Enhanced anti-money laundering and anticorruption policies and procedures; relevant training for selected FI credit officers and managers</p> <p>3. Enhanced environmental awareness and safeguard policies and procedures; relevant training for selected FI senior and middle managers</p> <p>4. Enhanced penetration of SME market</p>	<p>Completed report to the FI senior management</p> <p>Completed strategic plan to FI senior management</p>		<ul style="list-style-type: none"> <li>FI will be responsible for implementing all recommendations</li> </ul>
<p><b>Activities with Milestones</b></p> <p>All items are identified in the methodology and key activities section of this paper.</p> <p>Consultation and dissemination workshops.</p> <p>External training program for selected credit officers and managers, aimed at increasing awareness of internationally accepted sound practices for anti-money laundering and anticorruption and environmental management systems.</p> <p>All these milestones will be fulfilled within 24 months from the commencement date.</p>			<p><b>Inputs</b></p> <ul style="list-style-type: none"> <li>Consulting inputs for the areas of risk management and internal controls (\$550,000), anti-money laundering, anti-terrorism and anticorruption (\$500,000), environmental experts (\$50,000) and SME financing (\$100,000) (with contingencies of \$150,000).</li> </ul>

AML = anti-money-laundering, EMS = environmental management system, FI = financial institution, SME = small and medium enterprise.

**COST ESTIMATES AND FINANCING PLAN**  
(\$)

<b>Item</b>	<b>Total Cost</b>
<b>Asian Development Bank (ADB) Financing<sup>a</sup></b>	
1. Consultants' Remuneration and Per Diem	
a. Risk Management and Internal Control	550,000
b. Anti-Money-Laundering, Anti-Terrorism and Anticorruption	500,000
c. Environment	50,000
d. SME Financing	100,000
2. Contingency	150,000
<b>Total</b>	<b>1,350,000</b>

<sup>a</sup> Financed by ADB's technical assistance funding program.  
Source: ADB.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

### A. Risk Management and Internal Control

1. A firm will be recruited that has high-level qualifications and significant experience in evaluating operations risk management and internal controls to ensure that the proper internal oversight structures are in place. The firm will have had prior experience on similar projects in financial institutions in the country in which the technical assistance (TA) is being employed. The firm will focus on the following:

- (i) Advise the financial institution (FI) and the Asian Development Bank (ADB) on internationally accepted best practices for risk management in commercial banks.
- (ii) Support ADB in reviewing the current policies and procedures related to risk management and internal control. These will include the draft operations risk management (ORM) framework prepared by the FI, as well as other FI credit policies, and, in particular, the critical components and methodology. Evaluate which areas in the ORM framework and policies, in their current forms, are acceptable and follow best practices. If the ORM framework and policies do not follow best practices, provide initial recommendations on reorienting the relevant areas in the framework to ensure best practices are in place.
- (iii) Assess the internal controls that are outlined in the ORM framework and determine whether they are sufficient and properly integrated into the overall ORM framework.
- (iv) Examine the organizational structure, and particularly the extent of separation of roles and responsibilities (in terms of managerial functions) between the various departments and risk management groups or committees. Assess whether there are sufficient safeguards to ensure adequate internal controls and oversight.
- (v) Based on the above, and in light of best practices, prepare a report on observations and recommendations. The report should include recommendations on amending or changing the ORM framework, including key definitions, streamlining of the current system, and so forth.
- (vi) Provide advice, contacts, and coordination support for the international training component (if necessary)

### B. Anti-Money-Laundering, Anti-Terrorism, and Anticorruption

2. A firm will be recruited that will do the following under the assignment:

- (i) Advise the FI and ADB on internationally accepted best practices for anti-money laundering, anti-terrorism and anticorruption in commercial banks.
- (ii) Assess the current anti-money laundering, anti-terrorism and anticorruption policies and procedures. Evaluate which areas in the policies and procedures are acceptable and follow best practices in their current forms. If the policies and procedures do not follow best practices, provide initial recommendations on reorienting the relevant areas to ensure best practices are in place.
- (iii) Based on the above, and in the light of best practices, prepare a report on observations and recommendations. The report should include recommendations

on amending or changing the anti-money laundering, anti-terrorism and anticorruption policies and procedures.

- (iv) Provide advice, contacts, and coordination support for the international training component, and coordinating support as needed.

### **C. Environmental Consultant**

3. A firm or individual consultant will be selected to undertake the following tasks (for a more detailed training outline please refer to Appendix 4):

- (i) Advise the FI on internationally accepted best practices for environmental awareness and safeguards in commercial banks.
- (ii) Provide advice, contacts, and coordinating support, as needed, for the international training component.
- (iii) Assist in drafting the environmental management system (EMS) in compliance with ADB's environmental and social safeguards policies for the FI.

### **D. SME Financing**

4. A firm or individual consultant will be selected to undertake the following tasks:

- (i) Review existing SME financing products;
- (ii) Review financing and product needs of customer base and other potential customer segments;
- (iii) Provide international benchmarks for SME financing and relevant products, risk mitigation and concerns;
- (iv) Develop an SME financing strategy; and
- (v) Assist in the design of missing financing products.

### **E. Reporting Arrangements**

5. The firm will, as required, be responsible for preparing (i) brief monthly progress reports, providing updates on implementation until the project is completed; and (ii) a draft final report 2 weeks prior to completion of the tasks under the respective TA component. The draft final report will be revised and resubmitted upon receiving comments from ADB and the FI.

## ENVIRONMENTAL TRAINING COMPONENT

### A. Purpose and Output

1. The objectives of the regional technical assistance (TA) are to assist the financial institution (FI) in achieving sustainable environmental development goals. Toward that end, the purpose of the TA is to strengthen the capacity of the FI in managing environmental risks in its financial transactions and complying with national safeguard policies and requirements.

2. The TA's expected outputs for the environmental and social safeguards training component include (i) a training curriculum and materials reflecting the FI's needs; (ii) improved understanding and skills of workshop participants in identifying and managing environmental risks, along with enhanced awareness of potential for expanded business opportunities relating to sustainability products and services; and (iii) enhanced awareness of workshop participants about ADB's environmental safeguard policies and requirements; and (iv) enhanced capacity to design a social and environmental management system tailored to the FI's own institution in compliance with national safeguard laws and regulations and ADB policies.

### B. Preliminary Outline of Training Seminar on Environmental and Social Considerations in Financial Transactions for the FI

3. The duration of the seminar is one day, and the number of participants is about 20–25.

4. **Background of Participants.** Credit officers with underwriting responsibility in the FI's credit review process. Participants must be in managerial positions so that they have the possibility of disseminating the seminar content to other FI staff.

5. **Outputs and Outcomes.** These are as follow:

- (i) **Outputs.** About 20–25 participants undergo the training; presentation materials.
- (ii) **Outcomes.** The participants gain a better understanding and knowledge of environmental and social risks and opportunities in financial transactions.

6. **Suggested Outline.** The suggested outline is as follows:

- (i) **Session 1: The Environmental and Social Issues in the FI's Transactions** (About 1 hour). The presentation will aim to answer the question why the FI needs to consider environmental and social aspects in its business. It will cover environmental and social risks and opportunities in the FI's transactions, with examples of environmental and social risks.
- (ii) **Section 2: FI's Laws, Regulations, and Standards on Environmental Assessment** (About 3 hours). The speakers will give an overview of specific national environmental regulations and their implications for the FI's business. These include the following:
  - (a) Risks for and obligations of lenders under national environmental and other regulations and laws with respect to environmental issues.
  - (b) National requirements for environmental assessment of greenfield projects and refinancing of existing projects.

- (c) Requirements for environmental assessment and implications for corporate lending.
  - (d) Environmental risks and their assessment in other banking areas, such as retail, asset management, capital markets, advisory etc.
  - (e) Implications for FI's business.
- (iii) **Section 3: ADB's Approach on Environmental Assessment** (About 1 hour). The speaker will cover ADB's environmental requirements as applied to ADB financed projects, benchmark ADB's standards to those of other financial institutions (as for instance GE Capital, USA) and the Equator Principles and reference them to national policies.
- (iv) **Session 4: Concepts and Principles of Environmental Management and an Environmental Management System, as well as Environmental Management Practices in Selected Financial Institutions** (2.0 hours). The presentation will (a) cover the concepts and principles of environmental management and an environmental management system (EMS) in financial institutions, and (b) provide examples and case studies of EMS and practices in some selected financial institutions. The presentation will show clearly how an EMS should work in a financial institution while referencing this to the FI's own regulatory and business environment, as well as to the context of the FI's businesses (retail, corporate, etc.).
- (v) **Session 5: Next Steps** (1.5 hours). The speaker will present ideas on the next steps that the FI should take to move toward institutionalizing environmental management in the FI. This session will be used as an open forum for the participants to give their views and suggestions regarding those next steps.

### C. Evaluation of Training Seminar

7. The training seminar will be evaluated as follows:

- (i) **Measures of the efficiency aspect.** These will include
  - (a) performance of the speakers (observations and participants' evaluations),
  - (b) participation of the participants in the open discussion (observation),
  - (c) percentage of participants attending all sessions (records),
  - (d) satisfaction of the participants (participants' evaluations), and
  - (e) punctuality of the presentation and participants (observation and records).
- (ii) **Measures of the outcome or effectiveness aspect.** These will include
  - (a) **Method.** A structured questionnaire and interviews of randomly selected participants.
  - (b) **Benchmark.** Knowledge and understanding of the participants in the subject before the seminar. This should be done in due course before the seminar using a well-structured questionnaire.
  - (c) **Rating of seminar.**