

ASIAN DEVELOPMENT BANK

TAR: REG 36676

TECHNICAL ASSISTANCE

FOR

**CAPACITY BUILDING OF EXECUTING AGENCIES FOR FINANCIAL
MANAGEMENT OF PROJECTS IN EAST AND CENTRAL ASIA**

September 2003

ABBREVIATIONS

ADB	–	Asian Development Bank
AFS	–	audited financial statements
APA	–	audited project accounts
DMC	–	developing member country
DSAA	–	diagnostic study of accounting and auditing
EA	–	executing agency
ECRD	–	East and Central Asia Department
FM	–	financial management
FMR	–	financial management review
PRC	–	People's Republic of China
PRCM	–	PRC resident mission
SSTA	–	small-scale technical assistance
TA	–	technical assistance

NOTES

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

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I. INTRODUCTION

1. This regional technical assistance (RETA) aims 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 *Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB* (the guidelines).¹ The proposed TA is included in ADB's 2003 TA program. The TA framework is provided in Appendix 1.

II. ISSUES

2. The 1966 ADB Charter (Articles of Agreement) requires ADB to take measures to ensure that the proceeds of any loan made, guaranteed, or participated in by ADB are "used only for the purposes for which the loan was approved with due attention to consideration of economy and efficiency." Moreover, ADB's operations must be guided by sound banking principles. To support this accountability, ADB approved the release of the revised guidelines in 2001. They set out ADB's requirements and procedures for the FM of ADB-financed projects and provide guidance on applying these requirements. To support the implementation of the guidelines, ADB prepared the *Handbook for Borrowers on the Financial Governance and Management of Investment Projects Financed by ADB* (the handbook).

3. The other multilateral development banks (MDBs)—including the European Bank for Reconstruction and Development, Islamic Development Bank, and World Bank—have similar objectives and engage in similar activities, but have different FM approaches and requirements. These variances create confusion among DMCs. They also impose unnecessary compliance costs and divert limited resources away from key priorities. In 2000, the MDBs began work to reduce these differences. The guidelines are being updated to reflect agreements that have been reached on harmonized MDB approaches in several areas.

4. Portfolio performance at the country, sector, and project levels; and sound FM procedures and practices of executing agencies are increasingly factored into ADB's country programming and project processing activities. The guidelines encourage rigorous FM assessments of EAs during project design and, where necessary, advocate efforts to strengthen FM capacity, with the objective of reinforcing ADB's efforts to promote better governance, and fiduciary safeguards and controls in project implementation.

5. ECRD has one of ADB's largest portfolios. In 2002, ADB approved \$1.19 billion to finance 18 loans in ECRD DMCs. At the end of 2002, ECRD had 102 ongoing projects with a net loan amount of about \$8.3 billion. Total loan disbursements in 2002 were 22% higher than projected at \$885 million.

6. An effective tool in monitoring project and portfolio performance is the quality and timely submission of audited project accounts and financial statements. Quality is reflected in the completeness, consistency, reliability, and presentation of financial information. Timeliness of submission is also a key element of accountability. In 2002, of the 59 ECRD loans requiring submission of financial statements, 33 loans had complied fully, 22 had complied late (by less than 6 months), 3 had partly complied, and 3 had not complied. Although this represented a significant improvement in the timeliness of submissions during 2001, the performance was below the ADB average. Moreover, most ECRD DMCs have only recently begun to establish

¹ The TA first appeared in *ADB Business Opportunities* (Internet version) on 20 February 2003.

market-based accounting and auditing arrangements. The shortage of professionally qualified accountants directly affects EA FM arrangements.

7. ECRD places a high priority on portfolio performance and has taken a number of initiatives to improve portfolio quality and increase the effectiveness, efficiency, and sustainability of projects in recent years. ADB's People's Republic of China (PRC) Resident Mission spearheaded one such activity, in early 2003, when the financial management review (FMR) was conducted to (i) assess EAs' FM policies, procedures, and practices; (ii) ensure that loan proceeds are used only for designated purposes; (iii) ensure that project-generated assets are properly managed and safeguarded; and (iv) ensure that borrowers comply with financial covenants.

8. Specific FMR objectives were to (i) assess the soundness of EAs' FM systems, policies, procedures, and practices; (ii) identify issues and problems EAs faced in complying with financial covenants and other FM requirements; and (iii) identify generic FM issues affecting project implementation and financial performance. The FMR revealed that EAs have limited understanding of ADB FM requirements, identified gaps and weaknesses in EA's FM procedures, and provided valuable insights into the FM challenges faced by EAs in the PRC and how these might be addressed. Among other things, the FMR report recommends that EAs' FM practices be improved through (i) training on ADB's FM requirements, and (ii) assistance to strengthen internal controls in ADB-financed projects.

9. The PRC-focused FMR revealed the importance of identifying FM-related issues and constraints at the country, sector, and individual EA levels, before identifying and implementing corrective responses. Given this success, the conduct of FMRs in other ECRD countries is likely to provide a clear assessment of existing FM practices so that appropriate responses can be tailored to each DMC. ADB has also undertaken other initiatives to strengthen financial management in ECRD DMCs. First, assistance has been provided to strengthen supreme audit institutions. Second, diagnostic studies of accounting and auditing (DSAAs) have been conducted for Azerbaijan, Kyrgyz Republic, PRC, Mongolia, and Uzbekistan. Third, substantial assistance has been provided to strengthen individual EAs. Fourth, ADB provides training in a range of FM-related areas, including project economic analysis, loan disbursement, and consultant recruitment.

10. A key FMR recommendation is that training be provided to familiarize EAs with ADB FM requirements and approaches. In particular, that borrowers, project executing staff, auditors, and other related staff should be exposed to the concepts and techniques set out in the guidelines. To this end, ADB approved a small-scale TA to conduct FM training through three pilot workshops in selected DMCs.² To fully realize the benefits to ECRD's portfolio of the FM training programs, additional efforts should be exerted to cover DMCs in ECRD.

11. To sustain the benefits of the FM training program, the TA will also support translation of the guidelines and the handbook, which are currently only available in English, into selected languages.

12. Improving EA FM practices is a long-term task requiring continuing assistance. The TA will build on ADB's past work, while reflecting the FMR recommendations.

² ADB. 2002. *Small Scale Technical Assistance on Training Workshops on Financial Governance and Management of Investment Projects Financed by ADB*. Manila. The amount of \$150,000 was approved on 22 October 2002.

III. THE TECHNICAL ASSISTANCE

A. Purpose and Output

13. The overall goal of the TA is to strengthen the capacity of DMC's EAs for FM of ADB-financed investment projects, which will contribute to improved project quality and sustainability and better performance in terms of compliance with loan covenants.

14. To achieve this goal, the TA aims to familiarize EAs with ADB's FM requirements and their application, and strengthen EAs' capacity to apply the best FM practices. Components of the TA also seek to improve timeliness of submissions and quality of audited financial statements and project accounts and the quality of auditors' reports. The TA will also assist in identifying opportunities to harmonize FM practices with other development partners. Drawing on this work, the TA will (i) translate the handbook in selected local languages; (ii) prepare or update DSAs for Kazakhstan, PRC, Mongolia, and Uzbekistan; (iii) develop a system of Financial Management Review (FMR) for selected countries; and (iv) conduct training programs on FM.

B. Methodology and Key Activities

15. The TA has four components (i) translating and distributing the handbook in selected languages; (ii) preparing or updating DSAs for selected DMCs; (iii) conducting FMRs; and (iv) developing and conducting training workshops.

16. **Handbook.** The handbook will be, as appropriate, translated into Azeri, Chinese, Kazakh, Kyrgyz, Mongolian, Russian, and Uzbek and copies distributed to all EAs of ECRD's ADB-financed investment projects and to coordinating agencies.

17. **Diagnostic Studies of Accounting and Auditing.** In 2000, ADB conducted DSAs for PRC, Mongolia, and Uzbekistan. In 2002–2003, DSAs were prepared for Azerbaijan and Kyrgyz Republic. To provide up-to-date information on the accounting and auditing environment and challenges faced, the DSAs for PRC, Mongolia, and Uzbekistan will be updated and a DSA will be prepared for Kazakhstan.³

18. **Financial Management Reviews.** The TA will conduct FMRs for Mongolia, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan (footnote 3). Appendix 2 presents the outline for each FMR and for the summary FMR. Each FMR will involve

- (i) assessing the soundness of EA FM systems and practices at the regional, national, sectoral, and project levels;
- (ii) identifying issues and problems EAs face in complying with project financial covenants and ADB's FM requirements;
- (iii) identifying generic FM issues affecting project implementation and financial performance;
- (iv) assessing the internal control environment of the DMC with emphasis on the regulatory framework and the mechanism for supervision;

³ Findings will be discussed with the related authorities of each government and will be incorporated in the country road maps for financial management.

- (v) assessing the EAs' internal control procedures in relation to the best international practices;
- (vi) identifying opportunities to harmonize FM requirements and practices with other development agencies; and
- (vii) identifying measures to improve compliance with ADB's FM requirements.

19. **Training.** The following will be accomplished to provide training on FM requirements

- (i) DMC-specific training programs and materials will be developed that reflect the FMR findings and use the training materials prepared under the small-scale TA.
- (ii) Nine 5-day workshops will be conducted for participants from Azerbaijan, PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan. The training programs will explain ADB's expectations and requirements for FM, and consider the practical application of these requirements. Training participants will (a) examine the preliminary FMR findings and recommendations; (b) confirm the diagnosis and make amendments where necessary; and (c) identify concrete, timebound action that can be taken to strengthen FM in their agency.
- (iii) An impact assessment of the FMR and FM training activities will be conducted. This will involve (a) follow-up questionnaires to training participants, their supervisors, and ADB project and resident mission staff right after the workshop and 6 months after each workshop conducted; (b) preparation of a framework to compare the pre- and post-exercise quality of audited financial statements and project accounts submitted by participating EAs; and (c) pre- and post-exercise quality reviews of the statements and accounts submitted by participating EAs.

C. Cost and Financing

20. The cost of the TA is estimated at \$450,000 equivalent consisting entirely of foreign exchange, which will be financed by ADB on a grant basis from ADB's TA funding program. The TA will finance the services of (i) an international consultant (10 person-months) to assist in the design and implementation of the FMRs, the preparation of the DSAAs, the training workshops, and the impact assessment; and (ii) domestic consultants (14 person-months) to help prepare the DSAAs, undertake the FMRs, and conduct the training workshops. The detailed cost estimates are presented in Appendix 3.

D. Implementation Arrangements

21. East and Central Asia Department, with technical inputs and assistance from international and domestic consultants, will be the EA for this TA. The TA will commence on 1 October 2003 and be completed by 30 June 2005. The financial management specialist of the Governance, Finance, and Trade Division of ECRD will administer and supervise the TA. The financial management specialist in the Regional and Sustainable Development Department will attend selected workshops as a resource person. The relevant resident missions will assist with logistics as necessary, including identifying interpreters and translators, providing feedback on translation quality, and identifying potential training facilities. Resident mission staff will be encouraged to participate in the workshops.

22. The training programs will be conducted in five DMCs, with participants from eight DMCs: five workshops will be held in the PRC covering different provinces; one workshop will be conducted in Uzbekistan and will include participants from Azerbaijan; one workshop will be held in Mongolia; one workshop will be held in the Kyrgyz Republic and will include participants from Turkmenistan; and one workshop will be held in Kazakhstan and will include participants from Tajikistan.

23. ADB will select workshop participants on the basis of their responsibilities in EAs' offices and other relevant agencies, which include but are not limited to national government, national audit offices, and finance bureaus. Governments may nominate participants for ADB consideration and acceptance on the basis of the relevance of their work. Criteria for selecting participants will be developed and forwarded to the ECRD member governments. Fundamental criteria for the nomination and acceptance of participants will include the nominee's current work responsibilities, particularly the involvement in the FM aspects of ADB-financed project administration. About 30–35 participants are expected to attend each workshop. Relevant officers of the resident mission in the host country will be encouraged to participate in the training activities.

24. The TA will require an estimated 10 person-months of international and 14 person-months of domestic consultant input to help design and prepare the FMRs, facilitate translation of the handbook, and prepare and conduct training workshops. The international and domestic consultants will have a certified public accountant or equivalent qualification. The international consultant, who will act as the team leader, will have extensive experience in FM requirements for externally-financed investment projects. The domestic consultant must have had project accounting experience in ECRD member countries.

25. The international and domestic consultants will, in consultation with the ECGF's FMS, conduct the FMR and DSAA, prepare background papers for the workshops, develop training programs, and implement the training. The consultants will be recruited on an individual basis in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for their engagement. The consultants will produce an inception report 3 weeks after commencement of services of domestic consultants; a draft final report 2 weeks prior to the conclusion of their assignment; and the final report at the end of the assignment, and taking into account ADB's comments. The outline terms of reference are in Appendix 4.

IV. THE PRESIDENT'S DECISION

26. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$450,000 on a grant basis for Capacity Building of Executing Agencies for Financial Management of Projects in East and Central Asia, and hereby reports this action to the Board.

TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Goal</p> <p>Strengthen the capacity of East and Central Asia Department's (ECRD) executing agencies (EAs) regarding the financial management (FM) of Asian Development Bank- (ADB)financed investment projects.</p>	<p>Improved project quality and sustainability and better performance in terms of compliance with loan covenants.</p>	<p>Feedback from developing member country (DMC) agencies. Impact assessment of training and financial management review (FMR) effectiveness.</p>	<p>ECRD's EAs are committed to adopting the recommendations developed.</p>
<p>Purpose</p> <p>Familiarize ECRD's EAs with ADB's FM requirements and their application.</p> <p>Strengthen the capacity of ECRD's EAs to apply best financial management (FM) practices.</p> <p>Improve the submission timeliness and quality of APAs and AFSs.</p> <p>Improve the quality of auditors' reports.</p> <p>Identify opportunities to harmonize FM practices with those of other development partners.</p>	<p>Increased understanding of ADB's FM requirements.</p> <p>ECRD's EAs' FM procedures aligned with international norms.</p> <p>Submitted audited project accounts (APA) and audited financial statements (AFS) include all required information.</p> <p>Auditors' reports are consistent with ADB's requirements.</p> <p>Increased compliance of APAs and AFSs with ADB's requirements.</p> <p>Areas for harmonization identified and discussed with other development partners.</p>	<p>Consultant's draft and final report.</p> <p>Independent assessment by ADB, through the technical assistance completion report.</p> <p>Feedback from APA and AFS reviews.</p> <p>Submissions of compliance levels for APA and AFS.</p>	<p>Training on the financial management guidelines is comprehensive.</p> <p>Participants will be able to retain the skills acquired.</p> <p>Training workshops are effective and appropriate to ECRD's EA needs.</p>
<p>Outputs</p> <p>Increased understanding by EAs of ADB's FM requirements.</p> <p>FM reviews for five DMCs in ECRD.</p>	<p>Nine 5-day training workshops to be participated by eight DMCs. About 30–35 participants will attend each workshop.</p> <p>Report on the FMRs for five DMCs finalized by May 2004.</p>	<p>Course reports and training program.</p> <p>Consultant's reports on the FMRs.</p>	<p>Participants are receptive, responsive, and retentive.</p> <p>Training programs developed will take into consideration results of the FMRs.</p>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>Updated DSAs for PRC, Mongolia, and Uzbekistan and a DSA for Kazakhstan.</p> <p>Handbook in Azeri, Chinese, Kazakh, Kyrgyz, Mongolian, Russian, and Uzbek languages.</p>	<p>Four published DSAs by June 2005.</p> <p>Handbook translations by February 2004.</p>	<p>Publications.</p> <p>Translated handbook for distribution to EAs.</p>	<p>DMCs support and actively participate in DSA process.</p> <p>Materials are translated accurately and distributed successfully.</p>
<p>Activities</p> <p>Translation of the handbook for borrowers.</p> <p>Update DSA for PRC, Mongolia, and Uzbekistan</p> <p>Conduct DSA for Kazakhstan.</p> <p>FMR of five DMCs in ECRD.</p> <p>Comprehensive workshop on the FM guidelines.</p>	<p>Translation of the handbook distributed to EAs by March 2004.</p> <p>DSA report for PRC, Mongolia, and Uzbekistan by June 2005.</p> <p>DSA report for Kazakhstan by June 2005.</p> <p>Consultant's report finalized by May 2004.</p> <p>Successful completion of training workshops in 12 months.</p>	<p>Translated handbook for borrowers.</p> <p>DSA reports.</p> <p>DSA reports.</p> <p>Consultant's draft and final report.</p> <p>Course reports and training materials.</p>	<p>Materials are translated accurately.</p> <p>DMCs support and participation.</p> <p>The training program developed is sustainable.</p> <p>High quality course materials appropriate to the needs of the participants.</p> <p>Participants are properly selected.</p> <p>Participants are retained in their positions to ensure skills retention in their offices.</p>
<p>Inputs</p> <p>10 person-months of international consulting services.</p> <p>14 person-months of domestic consulting services.</p>	<p>Cost of conducting training workshops, production of training materials, and translation to local languages.</p> <p>International consultant to be engaged for 10 person-months.</p> <p>Domestic consultant to be engaged for 14 person-months.</p>	<p>Course reports.</p> <p>ADB review missions.</p>	<p>Trainers are competent and available.</p> <p>Timely recruitment and fielding of international and domestic consultants.</p>

OUTLINE FOR FINANCIAL MANAGEMENT REVIEW REPORTS

1. Individual financial management reviews (FMRs) will be prepared for Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan. A summarized FMR report will be prepared for East and Central Asia Department's (ECRD) developing member countries (DMCs). Table A2.1 provides the structure to individual DMC FMRs, and Table A2.2 the structure of the FMR summary.

Table A2.1: FMR Structure for an Individual DMC

Section (maximum length)	Description
Executive Summary (3 pages)	<ul style="list-style-type: none"> • Summarize FMR and identify key findings and recommendations.
Introduction (3 pages)	<ul style="list-style-type: none"> • Introduce FMR purpose, timing, and activities. • Describe ADB operations in the participating DMC, portfolio performance, previously identified issues, previous and ongoing institutional strengthening initiatives, and the activities and experience of other development partners.
Financial Management Context (3 pages)	<ul style="list-style-type: none"> • Describe national accounting and auditing arrangements, including standards, profession, reporting and auditing requirements, and audit firm presence. • Describe the existing internal control procedure and compare with international best practices. • Describe financial management and reporting requirements of ADB and other major development partners (materials should be appended, where necessary). • Describe any MDB harmonization progress. • Describe the findings of any prior reviews of EA or project performance in terms of financial management.
The ADB Portfolio (6 pages)	<p>In tabular form, summarize the status of each ongoing ADB project, in terms of</p> <ul style="list-style-type: none"> • executing and implementing agencies, • whether the EA is implementing any other projects, • financial management arrangements, • staffing arrangements, • funding and disbursement arrangements, • internal control arrangements, • APA and AFS requirements and submission performance, • audit arrangements, • other applicable financial covenants and performance, • constraints or weaknesses, • initiatives to strengthen financial management,
Issues and Recommendations (6 pages)	<ul style="list-style-type: none"> • national issues and associated recommendations, • sectoral issues and associated recommendations, and • project-specific issues and associated recommendations.

ADB=Asian Development Bank, AFS=audited financial statement, APA=audited project account, EA=executing agency, MDB=multilateral development bank.

Table A2.2: Summary FMR Structure

Section (maximum length)	Description
Executive Summary (3 pages)	Summarize FMR and identify key findings and recommendations.
Introduction (3 pages)	<ul style="list-style-type: none"> • Introduce FMR purpose, timing, and activities. • Describe ECRD operations, portfolio performance, previously identified issues, previous and ongoing institutional strengthening initiatives, and the activities and experience of other development partners.
The ADB Portfolio (6 pages)	<ul style="list-style-type: none"> • Incorporate the individual FMR executive summaries, including for the PRC. • Briefly describe the portfolio status of Azerbaijan; Hong Kong, China; Republic of Korea; Taipei, China; and Turkmenistan.
Harmonization Initiatives (6 pages)	Describe existing and proposed initiatives to harmonize procedures with other development partners.
Regional Issues and Recommendations (4 pages)	Describe regional issues that the FMR exercise identified and present recommendations for their resolution.
Other Issues and Recommendations (4 pages)	<ul style="list-style-type: none"> • Describe national, sectoral, and project-level issues that the FMR exercise identified and present recommendations for their resolution.

ECRD=East and Central Asia Department, FMR=financial management review, PRC=People's Republic of China.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Total Cost
Asian Development Bank Financing^a	
1. International Consultant	
a. Remuneration and Per Diem	173
b. International and Local Travel	17
2. Domestic Consultant	
a. Remuneration and Per Diem	41
b. International and Local Travel	8
3. Training, Seminars, and Conferences	
a. Training Program	122
b. Resource Persons	35
4. Reports and Communications	5
5. Translation	25
6. Miscellaneous Administration	5
7. Contingencies	19
Total	450

^a Financed by ADB's TA funding program.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultant (10 person months)

1. The international consultant will be recruited according to the *Guidelines on the Use of Consultants* of the Asian Development Bank (ADB) and the Government will review and evaluate the consultants' output. The consultant will have expertise in financial management (FM) of projects financed by ADB and in training. The consultant will be a certified public accountant (CPA) or equivalent, and will have experience with the FM policies and practices of ADB and other development agencies. In addition, the consultant must be proficient in using computer programs such as word processing, spreadsheets, and presentation software. The international consultant, as team leader, will supervise and coordinate all activities planned for the domestic consultants.

2. The consultant, under the coordination and supervision of the financial management specialist of the East and Central Asia Department (ECRD), will be responsible for the following:

(i) Translating the Handbook for Borrowers:

- (a) arranging translation of the handbook into seven languages;
- (b) supervising the work of the translators and ensuring that the product meets ADB standards, and
- (c) coordinating handbook reproduction and distribution to ADB-financed projects and relevant coordinating agencies;

(ii) Preparing and Updating Diagnostic Studies of Accounting and Auditing:

- (a) revising and updating the DSAs for PRC, Mongolia, and Uzbekistan, with the domestic consultants;
- (b) preparing a diagnostic study of accounting and auditing (DSAA) for Kazakhstan, with the domestic consultants; and
- (c) based on findings, updating the country road maps for financial management;

(iii) Conducting Financial Management Reviews:

- (a) collecting information and documentation related to project financial management from ADB files and from concerned government agencies; conduct the review on the entire portfolio performance of each participating developing member country (DMC);
- (b) collecting information through distribution of the survey questionnaires developed for the PRC financial management review (FMR);
- (c) analyzing and summarizing the data and information collected, particularly to analyze feedback on the survey questionnaire and to identify issues and problems; assess the soundness of FM systems and

practices of executing agencies (EAs) and identify gaps and weaknesses in complying with ADB's requirements;

- (d) consulting with other development partners on FM requirements and practices;
- (e) developing recommendations to improve EAs' financial management;
- (f) assessing the internal control environment in the DMC with emphasis on the regulatory framework and the mechanism for supervision;
- (g) assessing the EAs' internal control procedures and comparing them with best international practices;
- (h) preparing a draft report presenting issues identified based on the preliminary findings, analysis, and recommendations developed (Appendix 2), and submitting the draft report to ADB for review and comments;
- (i) after receiving ADB's comments, preparing the final report by taking into account the comments received;
- (j) preparing a summary FMR report based on the outline in Appendix 2;
- (k) based on findings, updating the country road maps for FM;
- (l) preparing a framework for comparing pre- and post-exercise quality of audited project accounts (APA) and audited financial statements (AFS) submitted by participating EAs; and
- (m) conducting pre- and post-exercise quality reviews of APA and AFS submitted by participating EAs.

(iv) Training EAs on ADB's Financial Management Guidelines:

- (a) reviewing and revising, if necessary, the materials and program previously developed for FM training based on the *Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank*;
- (b) preparing and producing training and workshop materials, including self-assessment tests, case studies, and participatory project preparation practices based on ADB projects: the materials should (i) focus on the needs of the DMCs in ECRD and users at different levels such as national government, executing and implementing agencies, national audit offices, and finance bureaus; and (ii) reflect FMR findings;
- (c) organizing and conducting nine 5-day training workshops in consultation with the FM specialist in ECRD;
- (d) adjusting and improving the training materials based on feedback of workshop participants; and

- (e) submitting a final report to ADB on the completion of the assignment.

B. Domestic Consultants (14 person months)

3. ADB and the Government will review and evaluate the consultants' output. The consultants will have expertise in FM of projects financed by ADB and training will be required. The consultants will be certified public accountants (CPAs) or the equivalent, and will have experience with the FM policies and practices of ADB and other development agencies. In addition, the consultants must be proficient with computer programs such as word processing, spreadsheets, and presentation software.

4. The domestic consultants will work under the coordination and supervision of the international consultant. The domestic consultants will assist the international consultant in:

(i) Translating the Handbook for Borrowers:

- (a) facilitating the translation of the handbook into local languages,
- (b) ensuring that the translated product meets ADB standards, and
- (c) coordinating reproduction and distribution of the handbook;

(ii) Preparing and Updating Diagnostic Studies of Accounting and Auditing:

- (a) revising and updating the DSAs for PRC, Mongolia, and Uzbekistan;
- (b) preparing the DSA for Kazakhstan; and
- (c) based on findings, updating the country road maps for FM;

(iii) Financial Management Review:

- (a) collecting information from EAs through questionnaires developed for the PRC FMR;
- (b) analyzing and summarizing the data and information collected, particularly the feedback on the survey questionnaire, and identifying issues and problems; assessing the soundness of EAs' FM systems and practices, and identifying gaps and weaknesses in complying with ADB requirements;
- (c) consulting with local representatives of other development partners on FM requirements and practices;
- (d) developing recommendations to improve EAs' FM during project implementation;
- (e) drafting a report presenting issues identified based on the preliminary findings, analysis, and recommendations developed (Appendix 2), and submitting it to ADB for review and comments;
- (f) preparing a summary based on the outline presented in Appendix 2;
- (g) preparing a framework for comparing pre- and post-exercise quality of audited project accounts (APA) and audited financial statements (AFS) submitted by participating EAs; and

- (h) conducting pre- and post-exercise quality review of APA and AFS submitted by participating EAs.

(iv) Training of EAs on ADB Financial Management Guidelines:

- (a) reviewing and revising, if necessary, the materials and program developed for the training on financial governance and management of projects, based on the *Guidelines for the Financial Governance and Management of Investment Projects Financed by the Asian Development Bank*;
- (b) preparing and producing training and workshop materials, including self-assessment tests, case studies, and participatory project preparation practices based on ADB projects: the materials should (i) focus on the needs of the DMCs and users at different levels such as national government, executing and implementing agencies, national audit offices, and finance bureaus; and (ii) reflect the FMR findings.
- (c) organizing and conducting at least nine 5-day training workshops in consultation with the FM specialist in ECRD;
- (d) adjusting and improving the training materials based on feedback from workshop participants; and
- (e) submitting a final report to ADB on the completion of the assignment.