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## Example Terms of Reference (for PPTA Financial Due Diligence) – Financial Management Expert

## **Example Terms of Reference (for PPTA Financial Due Diligence) Financial Management Expert**

The expert will have a degree in accounting, finance, or a related field, and will have a recognized professional accountancy qualification.

The expert should have at least 15 years (international consultant) [8 years (national consultant)] experience, including in financial due diligence (FDD).

The expert will conduct FDD in accordance with ADB's requirements.<sup>1</sup> Relevant guidance is available at <http://www.adb.org/projects/operations/financial-management-resources>. The FDD will include:

- (i) conducting a financial management assessment of the executing and implementing agencies, including (a) assessing whether previous financial management assessments have been conducted by ADB or other agencies and, if so, reviewing the results and ascertaining whether these can be used as input, (b) assessing capacity for planning and budgeting, management and financial accounting, reporting, auditing, internal controls, and information systems (c) reviewing proposed disbursement and funds-flow arrangements, and (d) concluding on the financial management risk rating and identifying and confirming measures for addressing identified deficiencies;
- (ii) supporting the preparation and agreement of cost estimates and a financing plan, which are based on verifiable data and are sufficient to support project implementation;
- (iii) preparing financial projections and conducting financial analyses of the executing and implementing agencies, and incremental recurrent costs, to determine financial sustainability, and reviewing proposed cost-recovery and tariff policies, including affordability;
- (iv) conducting financial evaluations (financial cost-benefit analyses) including sensitivity analyses of project components that have a cost-recovery objective;
- (v) where significant risks are identified to project financial sustainability or viability, proposing relevant financial performance indicators to be incorporated in financial covenants; and
- (vi) assessing and reaching agreement on financial reporting, auditing and public disclosure arrangements for the project, and, as appropriate, identifying and agreeing arrangements for receiving financial statements from executing and/or implementing agencies.

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<sup>1</sup> ADB. 2014. Financial Management, Cost Estimates, Financial Analysis, and Financial Performance Indicators. *Operations Manual*. OMG2/BP. Manila



