

Project Administration Manual

Project Number: 51269-001
October 2018

People's Republic of Bangladesh: Microenterprise
Development Project

ABBREVIATIONS

ADB	–	Asian Development Bank
BFP-B	–	Business Finance for the Poor in Bangladesh
FID	–	Financial Institutions Division
FIL	–	financial intermediary loan
GAP	–	gender action plan
MFI	–	microfinance institution
MOF	–	Ministry of Finance
MRA	–	Microcredit Regulatory Authority
NGO	–	nongovernment organization
OCR	–	ordinary capital resources
PAM	–	project administration manual
PKSF	–	Palli Karma Sahayak Foundation
PIU	–	project implementation unit
PO	–	partner organization
PSC	–	project steering committee
RRP	–	report and recommendations of the President
SOE	–	statement of expenditure
SPS	–	Safeguard Policy Statement
TA	–	technical assistance

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with the policies and procedures of the government and Asian Development Bank (ADB). The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Financial Institutions Division (FID) of the Ministry of Finance (MOF) as the Executing Agency (EA) and Palli Karma Sahayak Foundation (PKSF) as the Implementing Agency (IA) are wholly responsible for the implementation of ADB-financed projects, as agreed jointly between the borrower and ADB, and in accordance with the policies and procedures of the government and ADB. ADB staff is responsible for supporting implementation including compliance by FID and PKSF of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At loan negotiations, the borrower and ADB shall agree to the PAM and ensure consistency with the Loan Agreement. Such agreement shall be reflected in the minutes of the loan negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP), changes in implementation arrangements are subject to agreement and approval pursuant to relevant government and ADB administrative procedures (including the Project Administration Instructions and Staff Instructions) and upon such approval, they will be subsequently incorporated in the PAM.

I. PROJECT DESCRIPTION

1. The Microenterprise Development Project aims to promote development of microenterprises for inclusive economic development and rural poverty reduction. The project will support improving access to finance for microenterprises through Palli Karma Sahayak Foundation (PKSF), an apex development finance and capacity building organization, and PKSF's partner organizations (POs). The overall project comprises (i) an ADB loan of \$50 million for a credit line to PKSF; and (ii) a technical assistance (TA) grant of \$500,000 for capacity development for microenterprise development.

2. **Impact and Outcome.** The project is aligned with the following impact: growth of microenterprises expanded to provide forward linkages to agriculture and generate job opportunities.¹ The outcome will be microenterprises' access to MFI financing increased. The project comprises three outputs:

3. **Output 1: Funding to microfinance institutions for microenterprise loans expanded.** This output will provide a credit line to PKSF to onlend to PKSF's POs to ease short-term funding constraints in microenterprise financing. The output aims to provide loans to 40,000 microentrepreneurs, of which 70% are women. To address PKSF's medium-term financing constraints, the output will also support developing a PKSF medium-term institutional strengthening and financing strategy. The strategy includes, but not limited to, enhancing PKSF's policies, risk assessment, financial and portfolio management and monitoring as well as assessing the feasibility of diversifying its funding source.

4. **Output 2: Microfinance institutions' capacity in microenterprise lending enhanced.** The output will enhance MFIs' capacity in microenterprise lending by improving microenterprise finance operational guidelines for MFIs. The guidelines would include, but not limited to, methodologies for credit appraisal, risk assessment, pricing, terms and conditions, financial and portfolio management, and monitoring of MFIs' microenterprise finance operations. The guidelines improvement will be followed by training to PKSF POs.

5. The output will also support expanding online connectivity between PKSF and POs. For selected POs, a pilot mobile based microenterprise financing will be implemented for operations such as loan application and appraisal, and disbursement and collection. For the pilot, the support would include legal and regulatory consultation, developing or adopting applications, guidelines and manual development for POs and client training.

6. **Output 3: Microfinance institutions' microenterprise development support extended.** The output will support microenterprises' access to wider and upscale markets. It will identify promising microenterprise products for potential expansion, and provide support for microenterprise cluster development by assisting in quality control, branding, packaging, marketing, etc. The priority will be given to women microenterprise borrowers. The output will also support e-commerce platform development for microenterprises.

¹ Ministry of Planning, the Government of Bangladesh. 2013. *National Sustainable Development Strategy (2010-2021)*. Dhaka.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Table 1: Project Readiness Activities

Indicative Activities	2018												2019	Responsible Agency	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan		
Financial and integrity due diligence conducted															ADB
Stakeholder analysis and consultation have been undertaken															ADB
Major risks have been identified, and mitigating measures are developed															ADB
Establish project implementation arrangements															PKSF
ADB Board approval															ADB
Project management unit established at PKSF															PKSF
Project monitoring system established															ADB, PKSF
ADB confirms partner organizations' approved loan sanction requests															ADB, PKSF
Signing of the subsidiary loan agreements between FID and PKSF															PKSF, FD
Loan and project signing															ADB, FID
Loan effectiveness															ADB

ADB = Asian Development Bank, FD = Finance Division, FID = Financial Institutions Division, PKSF = Palli Karma Sahayak Foundation.

Source: Asian Development Bank estimates.

B. Overall Project Implementation Plan

7. The scheduled implementation period for the Microenterprise Development Project is two years (January 2019 – December 2020).

Table 2: Overall Project Implementation Plan

Activities	2019												2020												2021		
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
A. DMF																											
Output 1: Funding to MFIs for microenterprise loans expanded																											
1.1 PKSF loan disbursement to PKSF POs																											
1.2 PKSF POs disburse loans to microenterprises																											
1.3 Microenterprise loan performance review																											
1.4 Consultant recruitment																											
1.5 Consultations on PKSF medium-term institutional strengthening and financing strategy development																											
1.6 Dissemination workshops on PKSF medium-term institutional strengthening and financing strategy																											
Output 2: MFIs' capacity in microenterprise lending enhanced																											
2.1 Consultant recruitment																											
2.2 MFI consultations for microenterprise finance operational guidelines improvement																											
2.3 MFI microenterprise finance operational guidelines improvement																											
2.4 MFI training on microenterprise finance conducted																											
2.5 PO's IT system review conducted, and online connectivity support plan developed																											
2.6 Online connectivity support plan implemented																											

Activities	2019												2020												2021		
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
2.7 PO's IT training conducted																											
2.8 Pilot PO selection and mobile application adaptation																											
2.9 PO system development and training																											
2.10 Client information dissemination and training																											
Output 3. MFIs' microenterprise development support extended																											
3.1 Consultant recruitment																											
3.2 Microenterprise cluster selection and enterprise support scheme plan developed																											
3.3 Support scheme plan implementation																											
3.4 E-commerce platform operation review and development plan generated																											
3.5 Plan implementation and PO training																											
3.6 Client information dissemination and training																											
B. Management Activities																											
B.1 Implementation of environmental checklist																											
B.2 Implementation of gender action plan																											
B.3 Implementation of communication strategies																											
B.4 Midterm review																											
B.5 Project completion report																											

DMF = Design and Monitoring Framework, IT = information technology, PKSf = Palli Karma Sahayak Foundation, PO = partner organization.
Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations: Roles and Responsibilities

1. Steering Committee

8. A project steering committee (PSC) will comprise:

- (i) Secretary of Financial Institutions Division (FID), Ministry of Finance (MOF) – Chair,
- (ii) Economic Relations Division representative,
- (iii) Finance Division representative,
- (iv) FID representative,
- (v) PKSF representative, and
- (vi) Other relevant stakeholders.

9. The PSC is expected to meet at least annually. The PSC will monitor and supervise the overall project implementation and provide guidance on major project implementation issues.

10. FID as the executing agency (EA) will supervise the project implementation by receiving quarterly project performance monitoring reports, annual audited statement of utilization of funds, and other relevant project information. It will provide guidance on day-to-day project implementation matters to the project implementation unit (PIU) and liaise with ADB as and when needed. The PSC can call for project coordinating meetings with the implementing agency as necessary.

11. PIU will be established at PKSF. PIU will be headed by a project coordinator and at least one full-time staff whose qualifications are satisfactory to ADB. PIU will implement and monitor the project implementation, coordinate with the TA consultants, and report project progress to Economic Relations Division, Finance Division, FID and ADB.

Table 3: Project Implementation Organizations: Roles and Responsibilities

Project Implementation Organizations	Management Roles and Responsibilities
Executing Agency: FID	<ul style="list-style-type: none"> • Responsible for the overall project implementation and provide project implementation guidance • Manage and administer advance account • Liaise with ADB for any project implementation issues • Provide necessary implementation support to PKSF • Sign the subsidiary agreement with PKSF and monitor compliance
Project Steering Committee	<ul style="list-style-type: none"> • Provide overarching guidance and policy level support to the project • Monitor and review project performance at an inter-agency level and address key policy related issues • Ensure collaboration and cooperation among agencies
Implementing Agency: PKSF	<ul style="list-style-type: none"> • Identify and conduct due diligence of POs for financing under the project • Develop and sign financing agreements with POs • Monitor POs' compliance with the loan agreement conditions and achievements of the project's design and monitoring framework targets

	<ul style="list-style-type: none"> • Ensure POs conduct social and environmental due diligence and subproject screening • Manage and administer subaccount • Ensure the submission of quarterly project performance monitoring reports for the Ministry of Finance and ADB • Supply necessary project implementation data for the project performance monitoring system • Ensure compliance with loan agreement covenants • Ensure progress of gender action plan • Ensure POs' submission of monthly project progress report • Ensure POs' submission of audited statement of utilization of funds • Ensure the submission of PKSF's and POs' annual audited statements of utilization of funds to ADB • Submit entity-level audited financial statements to ADB • Call for project steering committee meetings • Represent at the portfolio management review meetings organized by ADB and the government • Provide technical inputs and information and other necessary assistances to the TA consultants • Prepare a project completion report
POs	<ul style="list-style-type: none"> • Implement and ensure compliance with the selection criteria for microenterprise borrowers, subprojects, and subloans and with covenants in project agreement • Ensure that qualified microenterprise borrowers comply with ADB's safeguard policy requirements • Submit annual audited statement of utilization of funds to PKSF • Submit monthly project progress report to PKSF • Respond to other information requests as required
ADB	<ul style="list-style-type: none"> • Conduct field review missions, midterm review mission, and project completion review mission to assess project implementation progress and compliance of loan agreement • Review PIUs' submissions for quarterly project progress reports, annual audit report, and annual safeguards monitoring report • Check statement of expenditure and disburse or liquidate the loan funds as agreed in the Loan Agreement

ADB = Asian Development Bank, FID = Financial Institutions Division, TA = technical assistance, PKSF = Palli Karma Sahayak Foundation, PIU = project implementation unit, PO = partner organization.

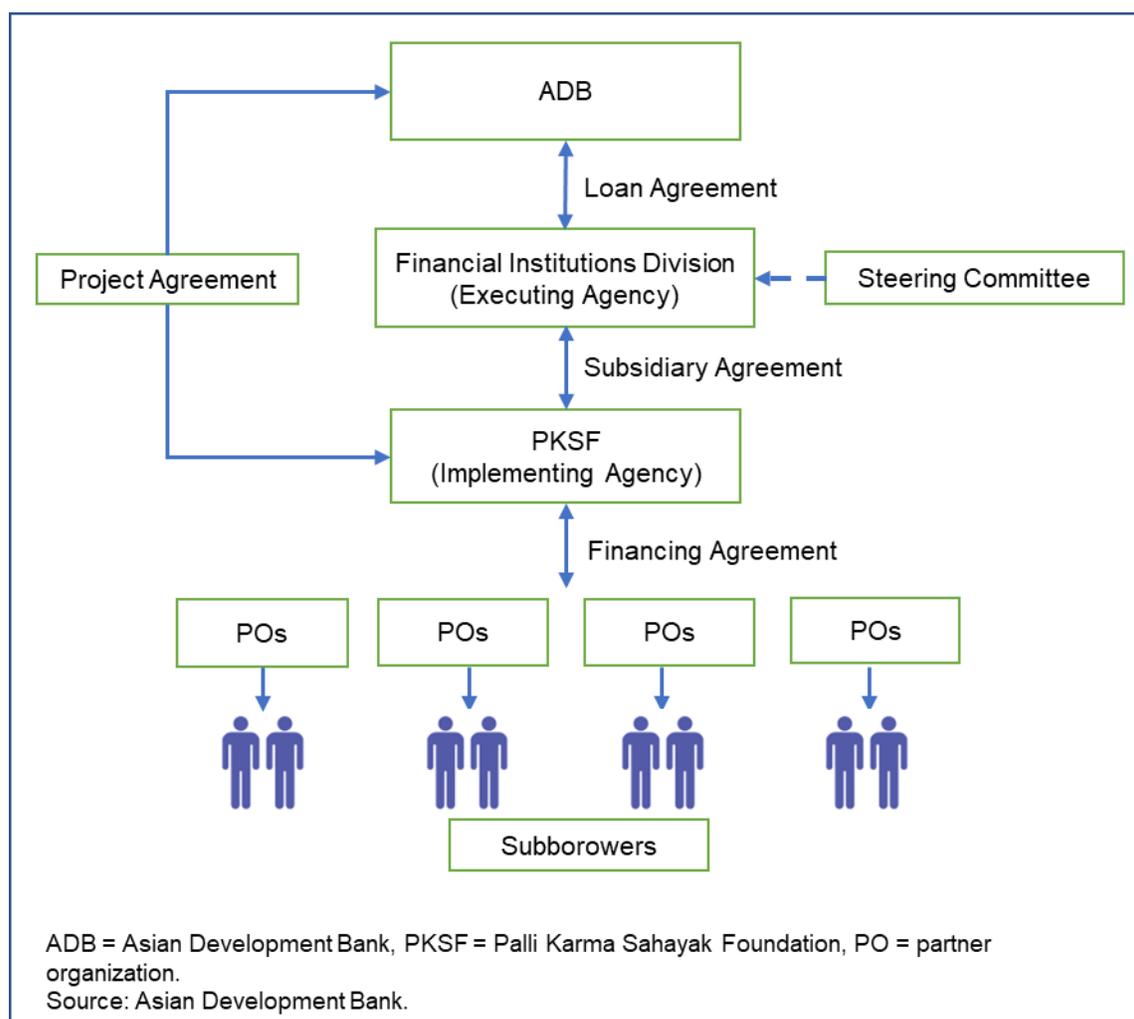
Source: Asian Development Bank.

B. Key Persons Involved in Implementation

Executing Agency	
Financial Institutions Division Ministry of Finance	Mr. Arijit Chowdhury Additional Secretary 880-2-7168305 Bangladesh Secretariat Dhaka 1000 Bangladesh E-mail: arijit@finance.gov.bd
Implementing Agency	
Palli Karma Sahayak Foundation	Mr. Md. Fazlul Kader Deputy Managing Director Plot: E-4/B, Agargaon Administrative Area, Sher-e-Bangla Nagar Dhaka 1207 Bangladesh

	880-2-9126240/880-2-8128832 E-mail: fazlulkader@pksf-bd.org
Asian Development Bank	
Public Management, Financial Sector, and Trade Division (SAPF) South Asia Department	Mr. Bruno Carrasco Director 632 636-6977 E-mail: bcarrasco@adb.org
Mission Leader	Ms. Mayumi Ozaki Senior Portfolio Management Specialist 632 632-5349 E-mail: mozaki@adb.org

C. Project Organization Structure



IV. COSTS AND FINANCING

A. Project Investment and Financing Plan

12. The project is estimated to cost \$62.5 million (Table 4). The government has requested a regular loan of \$50 million from ADB's ordinary capital resources to help finance the project.

Table 4: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank		
Ordinary capital resources (regular loan)	50.0	80.0
Microenterprise contribution ^a	12.5	20.0
Total	62.5	100.0

^a The microenterprise borrowers are required to contribute at least 20% of the total investments from their own sources.

Source: Asian Development Bank.

B. Cost Estimates Preparation and Revisions

13. The cost estimates were prepared by PKSf in consultation with ADB. No cost revision is expected during project implementation.

C. Detailed Cost Estimates by Expenditure Category

Table 5: Cost Estimates by Expenditure Category
(\$ million)

Items	Total Cost	Share of Total (%)
Credit line	50.0	80.0
Microenterprise contribution ^a	12.5	20.0
Total Project Cost	62.5	100.0

^a The microenterprise borrowers are required to contribute at least 20% of the total investments from their own sources.
Source: Asian Development Bank.

D. Allocation and Withdrawal of Loan Proceeds

14. **Relending (government to Palli Karma Sahayak Foundation).** FID will relend the ADB loan proceeds to PKSf in local currency at ADB's LIBOR-based interest rate plus 0.75% per annum (p.a.) and with the maturity of 20-year term including a grace period of 5 years under a subsidiary loan agreement. The Government of Bangladesh will bear the foreign exchange risks.

15. **Onlending (from Palli Karma Sahayak Foundation to partner microfinance institutions).** PKSf will onlend to POs to finance eligible microenterprise borrowers. Onlending rates from PKSf to POs are 7.5% p.a. for POs with a total loan outstanding of Tk1 billion or above; 6.0% p.a. for POs with a total loan outstanding between Tk0.5 billion – Tk1 billion; and 5.0% p.a. for POs with a total loan outstanding below Tk0.5 billion. PKSf's loans to POs will have a maturity of 3 years including a grace period of 6 months.

16. **Revolving fund (at Palli Karma Sahayak Foundation).** The loans repaid by POs will be maintained at the microenterprise fund account established at PKSf. PKSf will onlend to POs with the project's same onlending terms and conditions by PKSf. The same PO and microenterprise borrower eligibility criteria will be applied.

17. **Eligibility criteria of partner microfinance institutions and microenterprise borrowers.** Eligibility criteria of POs and microenterprise borrowers are defined as below:

(a) Partner microfinance institutions

18. POs participating in the project must be licensed by Microcredit Regulatory Authority (MRA) and comply with prudential norms and regulations set by MRA. In addition, for PKSF to finance microenterprise loans, POs must meet and maintain at least the following eligibility criteria:

- (i) A cumulative recovery rate of at least 95%.²
- (ii) A recovery rate of the current loan of at least 92%.³
- (iii) Debt to total equity of: 9:1.
- (iv) A minimum required capital of Tk2.0 million.
- (v) A capital adequacy ratio of no less than 10%.⁴
- (vi) A portfolio at risk of no higher than 10%.⁵
- (vii) Is profitable over the last two audited financial statements, or as of the last two financial years.
- (viii) Has 2 years of experience of implementing microfinance program as a PO of PKSF.

(b) Microenterprise borrowers

19. Microenterprise borrowers to be financed under the project shall be an eligible member of POs. In addition, a microenterprise borrower shall meet the following eligibility criteria:

- (i) Capable and successful in operating microenterprise and has a visible business entity with investment between Tk40,000 to Tk1.5 million (excluding land and building used in the enterprise).
- (ii) Progressive members of POs, or individual microentrepreneurs.⁶
- (iii) Any other member from the household of the progressive microcredit borrower.
- (iv) Must invest at least 20% of the total investment in microenterprise from microenterprise borrower's own resources.

20. **Loan proceeds utilization.** ADB loan proceeds will be used to finance eligible POs' microenterprise borrowers. The POs' microenterprise borrowers shall have no environmental impact. Also, the subloans will be for activities that will not trigger any involuntary resettlements nor have any adverse impact on tribes, minor races, ethnic sects and communities.⁷ The

² Cumulative recovery rate is defined as amount received for scheduled payments and payments past due as a share of total loan principal recoverable since inception.

³ Recovery rate of current loan is defined as amount received for scheduled payments as a share of total payments due within 12 months.

⁴ The capital adequacy ratio is defined as total capital fund to an asset base of total assets less cash, bank placements and short-term deposits.

⁵ Portfolio at risk is defined as outstanding balance of loans with payments past due as a share of the total portfolio. Loans are taken into account from when the first installment is past due.

⁶ Progressive member of the PO is defined as a member of the PO who has borrowed at least twice over two years and is deemed to have repaid on a timely basis.

⁷ Groups or population identified as indigenous peoples within the context of ADB's Safeguard Policy Statement will be referred to in this document as tribes, minor races, ethnic sects and communities (following the request of the Government of Bangladesh).

maximum subloan size is Tk1 million. For the first-time borrower, the maximum subloan size is Tk100,000. The subloan's maximum interest rate will be 25% on declining balance basis. Subloans will have up to two years maturity with flexible repayment schedule subject to POs' microenterprise borrower's cash flow.

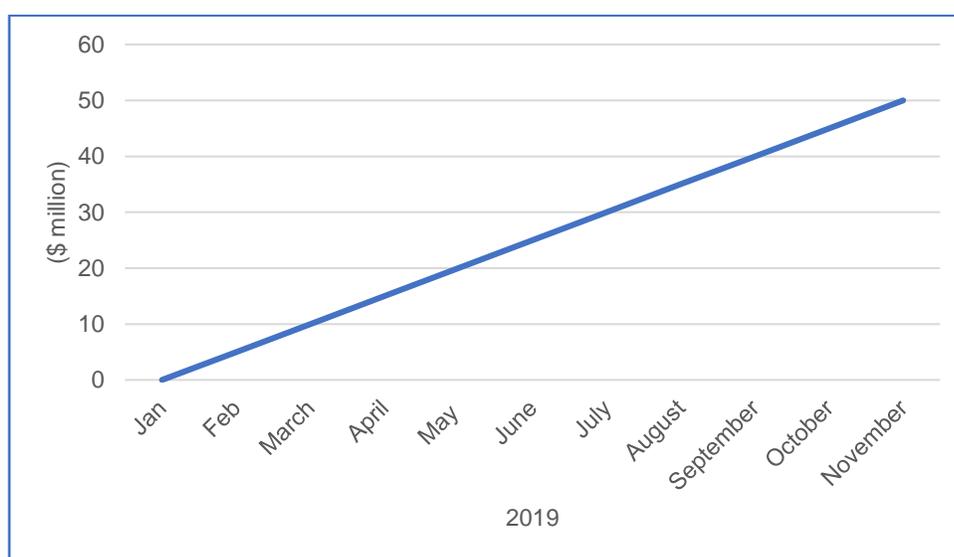
E. Contract and Disbursement S-Curve

21. The disbursement schedule is \$50 million in 2019 (January – November 2019).

Table 6: Contract Awards and Disbursement Projections
(\$ million)

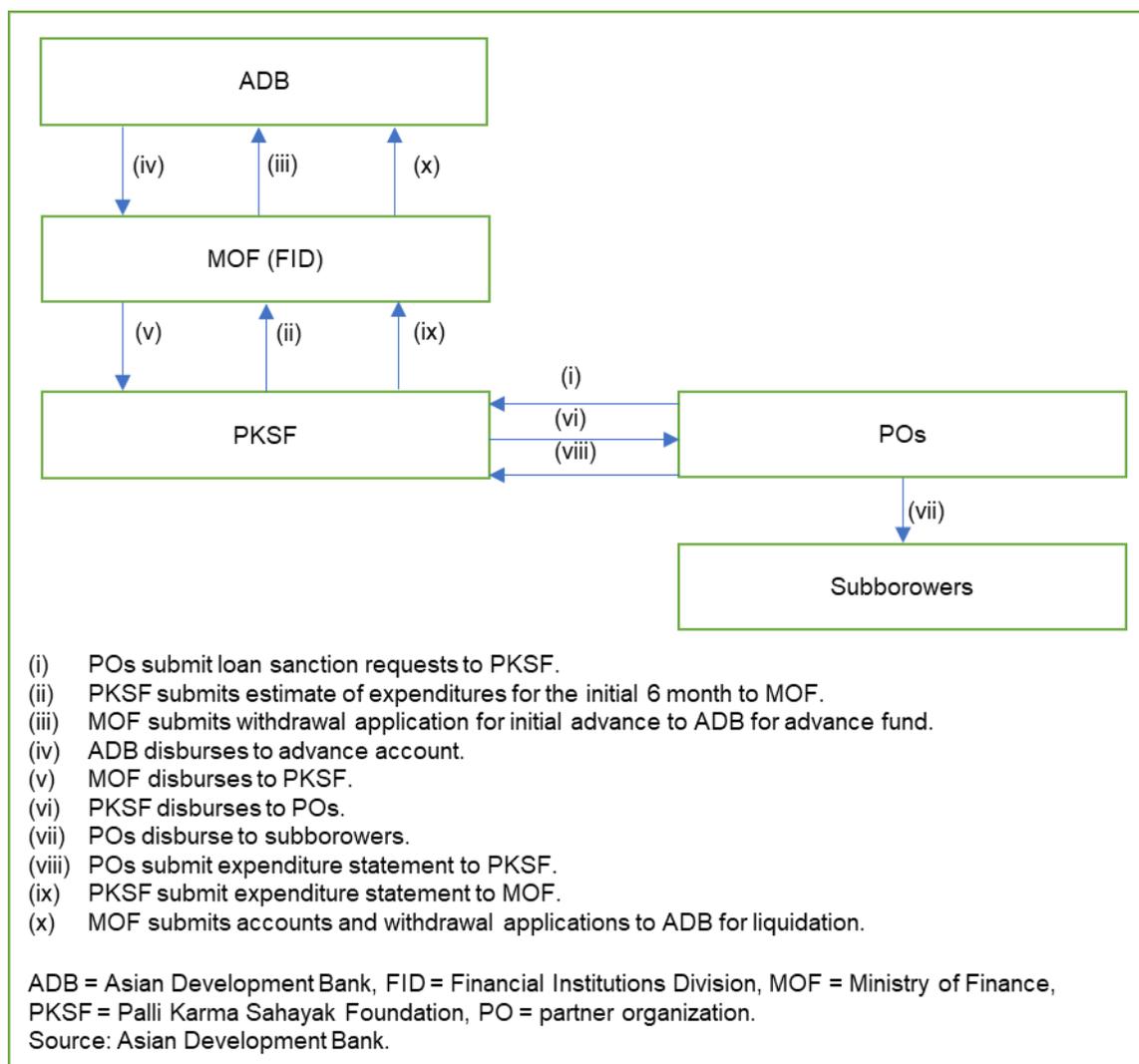
Year	Contract Awards					Disbursements				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
2019	10	15	15	10	50	25	0	25	0	50
Total					50					50

Source: Asian Development Bank.



Source: Asian Development Bank.

F. Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

22. The financial management assessment was conducted for FID, PKSF and 10 POs in accordance with ADB's Guidelines for the Financial Management and Analysis of Projects, Financial Management Assessment, and the Financial Due Diligence: A Methodology Note.⁸ The financial management assessment considered the capacity of PKSF and the POs, including funds-flow arrangements, staffing, accounting and financial reporting systems, financial information systems, and internal and external auditing arrangements.

⁸ ADB. 2005. *Financial Management and Analysis of Projects*. Manila. <https://www.adb.org/sites/default/files/institutional-document/31339/financial-governance-management.pdf>. ADB. 2015. *Financial Management Technical Guidance Note: Financial Management Assessment*. Manila. <https://www.adb.org/sites/default/files/page/82468/financial-management-assessment.pdf>; and ADB. 2009. *Financial Due Diligence: A Methodology Note*. Manila. <https://www.adb.org/sites/default/files/institutional-document/33540/files/financial-due-diligence.pdf>.

23. FID has prior experience with donor-funded programs including ADB-funded projects. PKSf has sufficient experience of managing similar projects for ADB and other international development partners. PKSf has the necessary financial management arrangements including procedures on making payments, accounting of transactions, financial reporting, auditing of financial statements, and internal control procedures, to avoid misuse or misappropriation of funds.

24. POs are matured MFIs that comply with the prudential norms and regulations set by MRA. However, based on the assessment, POs' key financial management risks identified are (i) insufficient quality of POs' audit and financial statements; and (ii) insufficient POs' portfolio management practices. The attached TA will address these issues by developing microenterprise finance operational guidelines and providing training to POs. Risk assessment and action plan are in Table 7.

25. It is concluded that the overall financial management risk is moderate. The attached TA will support PKSf and its POs' to improve their financial management capacity throughout the project implementation period. FID is deemed appropriate to be the Project EA because of FID's knowledge on PKSf's capabilities to finance MFIs and its experiences with ADB funded projects. FID has been the EA for the Small and Medium-Sized Enterprise Development Project and Second Small and Medium-Sized Enterprise Development Project.⁹ Both projects used the advance fund procedure.

Table 7: Risk Assessment and Action Plan

Weaknesses	Agreed Action	Responsible Party	Agreed Completion Date
Limited management information capacity of PKSf	PKSf is developing a management information window for the smooth implementation of programs and projects.	PKSf	12 months after loan effectiveness
Concerns on compliance of participating POs to guidelines.	Participating POs to adopt reasonable recommendations made by internal and external auditors during the duration of ADB's project.	POs, PKSf	3 months after audit report is submitted to PIU and ADB.
Financial management practices in the banking and non-banking sectors in Bangladesh	Participating POs to ensure adequate staffing of financial management unit acceptable to PKSf and ADB	PKSf, POs,	Prior to any signing of subsidiary agreement
Not all participating POs' staff have experience implementing donor-funded microenterprise lending projects	The attached technical assistance will support participating POs to develop microenterprise lending operations, and to implement an ADB-funded project	PKSf, POs	9 months after loan effectiveness

ADB = Asian Development Bank, PIU = project implementation unit, PKSf = Palli Karma Sahayak Foundation, PO = partner organization.

Source: Asian Development Bank.

⁹ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Small and Medium-Sized Enterprise Development Project*. Manila; and ADB 2015: *Proposed Loan to the People's Republic of Bangladesh for the Second Small and Medium-Sized Enterprise Development Project*. Manila.

B. Disbursement

1. Disbursement arrangements for ADB fund

26. The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time), and detailed arrangements agreed upon between the government and ADB. Online training for project staff on disbursement policies and procedures is available.¹⁰ Project staff are encouraged to avail of this training to help ensure efficient disbursement and fiduciary control.

27. PKSF will be responsible for preparing disbursement projections based on loan sanction requests by POs, collecting and retaining supporting documents and sending withdrawal applications through MOF to ADB following ADB procedures. A separate subaccount¹¹ shall be established and maintained by PKSF. The subaccount is to be used exclusively for ADB's share of eligible expenditures. PKSF will establish the subaccount in its name and will be accountable and responsible for the proper use of advances to the subaccount.

28. **Advance fund procedure.** Separate advance account¹² is established and maintained by the authorized representatives of FID. The currency of the advance account is in USD. The advance account is to be used exclusively for ADB's share of eligible expenditures. The authorized representatives of FID will administer the advance account and are accountable and responsible for the proper use of advances. FID will nominate PKSF as its authorized representative for managing the account and signing the withdrawal applications.

29. The total outstanding advance to the advance account should not exceed the estimate of ADB's share of expenditures to be paid through the advance account for the forthcoming six months. PKSF will request for initial and additional advances to the advance account based on an Estimate of Expenditure Sheet setting out the estimated expenditures to be financed through the account for the forthcoming six months.¹³ Supporting documents should be submitted to ADB or retained by PKSF in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) when liquidating or replenishing the advance account.

C. Liquidation

30. **Statement of expenditure (SOE) procedure.** The SOE procedure is used for reimbursement of eligible expenditures or liquidation of advances to the advance account.¹⁴ PKSF shall maintain supporting documents and records for the expenditures claimed under the SOE and make readily available for review by ADB's disbursement and review missions, upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.

31. Before the submission of the first withdrawal application, PKSF on behalf of the borrower should submit to ADB sufficient evidence of the authority of the persons who will sign the withdrawal applications on behalf of the government, together with the authenticated specimen

¹⁰ Disbursement eLearning. http://wpqr4.adb.org/disbursement_elearning.

¹¹ Subaccount means the project operating bank account of PKSF.

¹² Advance account means the designated imprest account of PKSF.

¹³ Estimate of Expenditure sheet is available in Appendix 8A of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

¹⁴ SOE forms are available in Appendix 7B and 7D of ADB's *Loan Disbursement Handbook* (2017, as amended from time to time).

signatures of each authorized person. The minimum value per withdrawal application is stipulated in the *Loan Disbursement Handbook* (2017, as amended from time to time). Individual payments below such amount should be paid through (i) PKSF and subsequently claimed to ADB through reimbursement, or (ii) through the advance fund procedure, unless otherwise accepted by ADB. Use of ADB's Client Portal for Disbursements system is encouraged for submission of withdrawal applications to ADB.¹⁵

32. PKSF will liquidate to ADB in accordance with ADB's *Loan Disbursement Handbook* (2017, as amended from time to time). PKSF will submit to ADB (i) a withdrawal application for liquidation and replenishment, (ii) a consolidated statement of utilization and replenishment of funds, (iii) advance account reconciliation statement, and (iv) a statement of account (bank statement) of the advance account.

D. Accounting

33. PKSF will maintain separate books and accounts related to the loans to POs and subloans to microenterprise borrowers funded by the Project. PKSF will prepare statement of the utilization of funds in accordance with Bangladesh Accounting Standards which are consistent with international accounting principles and practices.

34. POs will also maintain separate books and accounts relating to all subloans under the project. POs will prepare statement of utilization of funds in accordance with Bangladesh Accounting Standards which are consistent with international accounting principles and practices.

35. The templates of PKSF and POs' statement of utilization of funds are in Appendix 1.

E. Auditing and Public Disclosure

36. PKSF will cause its statement of utilization of funds to be audited in accordance with Bangladesh Standards on Auditing which are consistent with international auditing principles by an independent auditor acceptable to ADB who will be appointed by the general body of PKSF.¹⁶ The requirements for this audit are included in Appendix 2. The audit report will include a management letter setting out any deficiencies identified in the internal control of the project including PKSF's monitoring of POs' performance, and audit opinions, which cover (i) whether the statement of utilization present an accurate and fair view or are presented fairly, in all material respects, in accordance with applicable financial reporting standards; (ii) whether the proceeds of the loan were used only for the purpose of the project; and (iii) whether PKSF was in compliance with the financial covenants contained in the legal agreements (where applicable). The audited statement of utilization of funds together with the audit report and management letter will be submitted in English to ADB within six months after the end of the fiscal year to which they relate.

37. Each PO will cause their respective statement of utilization of funds to be audited in accordance with International Standard on Auditing by an independent auditor acceptable to ADB appointed by the general body of POs and accredited by PKSF (footnote 15). The requirements for this audit are included in Appendix 2. The audit report will include a management letter and audit opinions, which cover (i) whether the statement of utilization present an accurate and fair view or are presented fairly, in all material respects, in accordance with Bangladesh Standards

¹⁵ The Client Portal for Disbursements facilitates online submission of withdrawal application to ADB, resulting in faster disbursement. The forms to be completed by the Borrower are available online at <https://www.adb.org/documents/client-portal-disbursements-guide>.

¹⁶ Appointment of the auditor will not require prior approval of ADB.

on Auditing ; (ii) whether the proceeds of the loan were used only for the purpose of the project; and (iii) whether a PO was in compliance with the financial covenants contained in the legal agreements (where applicable). This audited statement of utilization of funds, audit report and management letter will be submitted in English to ADB through PKSf within six months after the end of the fiscal year to which they relate.

38. The audited entity-level financial statements of PKSf and POs together with the auditor's report and management letter, will be submitted in English through PKSf to ADB within one month after their approval by the competent authority.

39. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal project supervision, and regular follow up with all concerned, including the external auditor.

40. The government and PKSf have been made aware of ADB's approach to delayed submission, and the requirements for satisfactory and acceptable quality of the statements of utilization of funds.¹⁷ ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the borrower), or for additional support to be provided to the auditor, if the audits required are not conducted in a manner satisfactory to ADB, or if the audits are substantially delayed. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures.

41. Public disclosure of the statements of utilization of funds, including the auditor's opinion on the project financial statements, will be guided by ADB's Public Communications Policy 2011.¹⁸ After the review, ADB will disclose the audited statements of utilization of funds and the opinion of the auditors on the statements of utilization of funds no later than 14 days of ADB's confirmation of their acceptability by posting them on ADB's website.¹⁹ The management letter, additional auditor's opinions, and audited entity financial statements will not be disclosed.²⁰

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

42. There is no advance contracting or retroactive financing under the project.

¹⁷ ADB's approach and procedures regarding delayed submission of the statement of utilization of funds:

- (i) When statements of utilization of funds are not received by the due date, ADB will write to the executing agency advising that (a) the audit documents are overdue; and (b) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- (ii) When statements of utilization of funds are not received within six months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of advance accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (a) inform the executing agency of ADB's actions; and (b) advise that the loan may be suspended if the audit documents are not received within the next six months.
- (iii) When statements of utilization of funds are not received within 12 months after the due date, ADB may suspend the loan.

¹⁸ Public Communications Policy: <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>.

¹⁹ PKSf's responses to auditors' management letter, if there is any, can be disclosed in the project monitoring report or other relevant documents.

²⁰ This type of information would generally fall under public communications policy exceptions to disclosure. ADB. 2011. *Public Communications Policy*. Paragraph 97(iv) and/or 97(v).

B. Procurement of Goods, Works, and Consulting Services

43. Procurement of goods, works and non-consultancy services shall be governed by the principles and procedures laid down in Procurement Regulations for ADB's Borrows (2017, as amended from time to time). Procurement to be undertaken by any individual beneficiary, to ensure fitness for purpose. This can be achieved through use of established private sector and commercial practices.

C. Consultant's Terms of Reference

44. The terms of reference for the consultants are in Appendix 2 of the TA. ADB' South Asia Department will select, supervise, and evaluate the consultants. ADB will recruit: (i) international consultants using individual consultant selection, and (ii) a firm for national consultants using the quality- and cost-based selection method with a quality-cost ratio of 90:10 due to the highly specialized expertise needed. An input-based contract will be used for the firm contract. ADB will procure consulting services following the principles of Procurement Policy (2017, as amended from time to time) and open competitive bidding procedures explained in Staff Instructions for ADB administered consultants.

VII. SAFEGUARDS

45. In compliance with ADB's Safeguard Policy Statement (2009), the project's safeguard categories are as follows:²¹

46. **Environment (category FI treated as C).** The project is expected to have minimal environmental impact since sub-loans to microenterprises will be mainly for light manufacturing, trade, and service activities.

47. **Involuntary resettlement (category FI treated as C).** Only sub-loans that are not trigger any involuntary resettlement will be financed.

48. **Tribes, minor races, ethnic sects and communities (category FI treated as C).** Sub-loans are for activities that will not have any impact on tribes, minor races, ethnic sects and communities.

49. The PKSF has developed environmental and social screening guidelines for POs, which were agreed by ADB. Subproject screening will be mandatory for implementation by all POs to be financed under the project, and POs will report on the status of the screening checklist to ADB through the PKSF. The POs will

- (i) screen all subprojects to be financed under the project to ensure compliance with government regulations, project legal agreements, the PAM, and environmental and social screening guidelines; and
- (ii) exclude all subprojects with *category A* and *category B* impacts on the environment, involuntary resettlement, and tribes, minor races, ethnic sects and communities; and finance only subprojects that are classified *category C*.

50. **Prohibited investment activities.** Pursuant to ADB's Safeguard Policy Statement

²¹ ADB. Safeguard Categories. <https://www.adb.org/site/safeguards/safeguard-categories>. The PKSF will consult with beneficiaries on the environmental and social screening guidelines; subproject information on environmental and social screening can be disclosed to assess the eligibility of subprojects.

(2009), ADB funds must not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the Safeguard Policy Statement (2009). All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list to subprojects financed by ADB.

VIII. GENDER AND SOCIAL DIMENSIONS

51. Potential gender and social impacts were reviewed. A gender assessment is reflected in the project documents and is an integral part of the project design which is categorized as gender equity. The project addresses women's empowerment by narrowing gender disparities through access to financial resources and opportunities. Furthermore, the attached TA will build women microentrepreneurs' capacity by extending entrepreneurship development training and enterprise cluster development support for business expansion and upscaling.

52. A Gender Action Plan (GAP) has been developed. Its implementation will be monitored regularly and ADB will receive an update on the GAP implementation quarterly.²² The implementation of GAP activities will be grant-financed as part of the attached TA which is being financed on a grant basis by the Financial Sector Development Partnership Special Fund.²³ PKSF will assign a full-time staff to monitor POs' implementation of the GAP. In addition, a national gender specialist will be mobilized by using ADB's staff consultant budget to monitor the progress of GAP and ensure the target achievements.

²² Gender Action Plan (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

²³ Established by ADB. Financing partner: the Government of Luxembourg.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING, AND COMMUNICATION

A. Project Design and Monitoring Framework

Impact the Project is Aligned with			
Growth of microenterprises expanded to provide forward linkages to agriculture and generate job opportunities (National Sustainable Development Strategy, 2010–2021) ^a			
Results Chain	Performance Indicators with Targets and Baselines^b	Data Sources and Reporting Mechanisms	Risks
Outcome Microenterprises' access to MFI financing increased	By December 2020 Microenterprise borrowers of the PKSf's POs increased by 40,000, of whom at least 70% are female (end-2017 baseline: 1.15 million, of whom 70% are women)	PKSf annual reports, executing and/or implementing agency's project completion report	Restrictive government policy change on microfinance may hinder the growth of microenterprise lending.
Outputs 1. Funding to MFIs for microenterprise loans expanded 2. MFIs' capacity in microenterprise lending enhanced	By December 2020 1a. Total microenterprise loans outstanding of the PKSf reached Tk17.00 billion (end-2017 baseline: Tk13.34 billion) 1b. Total microenterprise loan portfolio outstanding of the PKSf's POs reached Tk81 billion, of which at least 70% are for female borrowers (end-2017 baseline: Tk67 billion, of which Tk47 billion were to female borrowers) 1c. Medium-term institutional strengthening and financing strategy for the PKSf developed (2018 baseline: not applicable) 2a. Gender-inclusive microenterprise finance operational guidelines for MFIs improved (2018 baseline: not applicable) 2b. 80 POs trained on microenterprise lending operations (end-2017 baseline: not applicable) 2c. At least 10,000 microenterprise borrowers from at least 3 POs enrolled in a mobile-based microenterprise finance application and received training, of whom at least 70% are female (2018 baseline: not applicable)	1a–b. PKSf annual reports, implementing agency's project and TA progress reports 1c. PKSf medium-term institutional strengthening and financing strategy report 2a–c. PKSf annual reports, implementing agency's project and TA progress reports	Cost of fund increase may raise the PKSf onlending rate to POs and lower demand for microenterprise loans.

Results Chain	Performance Indicators with Targets and Baselines ^b	Data Sources and Reporting Mechanisms	Risks
3. MFIs' microenterprise development support extended	3a. MFIs' microenterprise cluster development support scheme implemented for at least 3 enterprise clusters covering at least 1,000 microenterprise borrowers, of whom at least 70% are female (2018 baseline: not applicable) 3b. At least 3 microenterprise products branded by the PKSf uploaded to an e-commerce platform (2018 baseline: not applicable)	3a–b. PKSf annual reports, implementing agency's project and TA progress reports	
<p>Key Activities with Milestones:</p> <p>1. Funding to MFIs for microenterprise loans expanded (under the loan and attached TA)</p> <p>1.1 PKSf and government subsidiary loan agreement signing (Q4 2018)</p> <p>1.2 PKSf loan disbursement to PKSf POs (Q1 2019–Q4 2020)</p> <p>1.3 Microenterprise loan portfolio performance review (Q1 2019–Q4 2020)</p> <p>1.4 Consultant recruitment (Q1 2019)</p> <p>1.5 Consultations on medium-term institutional strengthening and financing strategy development for the PKSf (Q2 2019)</p> <p>1.6 Strategy dissemination workshop (Q3 2019)</p> <p>2. MFIs' capacity in microenterprise lending enhanced (under the attached TA)</p> <p>2.1 Consultant recruitment (Q1 2019)</p> <p>2.2 MFI consultations for microenterprise finance operational guidelines improvement (Q2–Q3 2019)</p> <p>2.3 MFI training on microenterprise lending (Q1–Q4 2020)</p> <p>2.4 POs' IT system review and online connectivity support plan development (Q2 2019)</p> <p>2.5 Online connectivity support plan implementation (Q3 2019–Q4 2020)</p> <p>2.6 POs' IT training (Q2 2019–Q4 2020)</p> <p>2.7 Pilot POs' selection and mobile application adaptation plan (Q2–Q3 2019)</p> <p>2.8 POs' system development and training (Q2–Q4 2019)</p> <p>2.9 Client information dissemination and training (Q2 2019–Q4 2020)</p> <p>3. MFIs' microenterprise development support extended (under the attached TA)</p> <p>3.1 Consultant recruitment (Q1 2019)</p> <p>3.2 Microenterprise cluster selection and enterprise support scheme plan development (Q2–Q3 2019)</p> <p>3.3 Implementation and monitoring of the support scheme (Q4 2019–Q4 2020)</p> <p>3.4 Microenterprise e-commerce platform development (Q1–Q2 2019)</p> <p>3.5 Microenterprise e-commerce platform rollout (Q2 2019–Q4 2020)</p>			
<p>Inputs</p> <p>Asian Development Bank: \$50 million (regular OCR loan)</p> <p>Financial Sector Development Partnership Special Fund: \$500,000 (TA grant)</p>			
<p>Assumption for Partner Financing</p> <p>Not applicable</p>			

IT = information technology, MFI = microfinance institution, OCR = ordinary capital resources, PKSf = Palli Karma Sahayak Foundation, PO = partner organization, Q = quarter, TA = technical assistance.

^a Government of Bangladesh, Planning Commission. 2013. *National Sustainable Development Strategy (2010–2021)*. Dhaka.

^b Performance targets show incremental achievements as the result of the project.

Source: Asian Development Bank.

B. Monitoring and Reporting

53. **PKSF project performance monitoring.** PKSF will establish a project performance monitoring system satisfactory to ADB. PKSF will submit a quarterly project performance monitoring report to ADB for the duration of the project. The project performance monitoring system will monitor and evaluate the project information and data to ensure that planned interventions achieve the desired result under each project component, including key impact and outcome indicators and associated assumptions with corresponding target dates. The template of PKSF's quarterly project performance monitoring report is in Appendix 3. PKSF's quarterly project performance monitoring report shall include an update on Gender Action Plan (Appendix 4).

54. **Compliance monitoring.** POs' compliance with the covenants will be monitored by PKSF on the basis of POs' periodic reports, audited financial statements, and audited project accounts, and will be reported to ADB on a quarterly basis. ADB will conduct periodic review missions, review progress reports by PKSF, conduct random spot checks on subloan documents, conduct SOE review and review of POs' audited financial statements and audited statement of utilization of funds.

55. **POs monthly project progress report.** POs will submit to PKSF monthly project progress report containing at least (i) list of borrowers; (ii) original principal amount of each subloan; (iii) number and amount of outstanding loans; (iv) terms including interest rate; (v) sector of activity; (vi) outstanding principal balance; (vii) portfolio at risk; (viii) number of microenterprises and employees; (ix) whether the microenterprise is classified as "female;" (x) location of microenterprises; (xi) status environment and social safeguard compliance; and (xii) status of microenterprise development training. Each report should also highlight any problems encountered during the reporting period. The template of POs' monthly project progress report is in Appendix 5.

56. **Project completion report.** Within 3 months of the project's completion, PKSF, through FID will furnish to ADB a project completion report containing a detailed evaluation of project design, costs, PO performance, social and economic impacts, and other details as may be requested by ADB.

Table 8: Summary of Reporting Requirements

Type of Report	From	To	Frequency	Template
1. Project Performance Monitoring Report	PKSF	FID, ADB	Quarterly	Appendix 3-4
2. Monthly Project Progress Report	POs	PKSF	Monthly	Appendix 5
3. Project Completion Report	PKSF	FID, ADB	With 3 months after the project completion	Project completion report format is available upon request.

ADB = Asian Development Bank, FID = Financial Institutions Division, PKSF = Palli Karma Sahayak Foundation, PO = partner organization.

Source: Asian Development Bank.

C. Evaluation

57. To ensure responsive and timely implementation, there will be review missions at least semi-annually. There shall be regular interaction between FID, PKSf, and ADB. In addition, a comprehensive midterm review will be undertaken by FID, PKSf, and ADB about 12 months after the project's effectiveness that will (i) evaluate the scope, design, and implementation arrangements; (ii) assess implementation performance against project indicators; (iii) review and establish compliance with loan covenants; and (iv) identify problems and constraints and, if necessary, recommend changes in the design or implementation arrangements.

58. Within 3 months after the loan closing date, FID and PKSf will submit a project completion report to ADB in a form acceptable to ADB. Subsequently, ADB will field a mission to finalize the project completion report.

D. Stakeholder Communication Strategy

59. ADB will disseminate information about this project and its outcome through publications, presentations, and on its website. ADB will also communicate with the project's internal stakeholders through written documents.

60. The key communication strategies are:

- (i) to inform potential and existing target microenterprise, especially women, about the opportunities of the project including capacity building activities and increased access to credit resources;
- (ii) to empower potential target microentrepreneurs and encourage them to enter into business ventures;
- (iii) to strengthen microenterprise networks and create a learning environment through sharing of experiences;
- (iv) to provide public accountability; and
- (v) to create public support for the project.

X. ANTICORRUPTION POLICY

61. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the project.²⁴ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all project contractors, suppliers, consultants, and other service providers. Individuals and/or entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the project.²⁵

62. To support these efforts, relevant provisions are included in the loan agreement of the project.

63. ADB's Office of Anticorruption and Integrity is the point of contact to report allegations of fraud and corruption among ADB-financed projects or its staff. Anyone coming across evidence of corruption associated with the project may contact below by telephone, facsimile, e-mail, or by mail:

²⁴ Anticorruption Policy: <https://www.adb.org/documents/anticorruption-policy>.

²⁵ ADB's Integrity Office web site: <https://www.adb.org/site/integrity/main>.

Office of Anticorruption and Integrity
 Asian Development Bank
 6 ADB Avenue, Mandaluyong City
 1550 Metro Manila, Philippines
 Telephone: +63 2 632 5004
 Fax: +63 2 636 2152
 E-mail: integrity@adb.org or anticorruption@adb.org

XI. ACCOUNTABILITY MECHANISM

64. People who are, or may in the future be, adversely affected by the project may submit complaints to ADB's Accountability Mechanism. The Accountability Mechanism provides an independent forum and process whereby people adversely affected by ADB-assisted projects can voice, and seek a resolution of their problems, as well as report alleged violations of ADB's operational policies and procedures. Before submitting a complaint to the Accountability Mechanism, affected people should make an effort in good faith to solve their problems by working with the concerned ADB operations department. Only after doing that, and if they are still dissatisfied, should they approach the Accountability Mechanism.²⁶

XII. RECORD OF CHANGES TO THE PROJECT ADMINISTRATION MANUAL

65. All revisions and/or updates during the course of implementation should be retained in this section to provide a chronological history of changes to implemented arrangements recorded in the PAM, including revision to contract awards and disbursement s-curves.

	Date
PAM Approved by ADB	
First Revision	
Second Revision	

²⁶ Accountability Mechanism. <https://www.adb.org/site/accountability-mechanism/main>.

**ANNUAL STATEMENT OF UTILIZATION OF FUNDS FOR PALLI KARMA SAHAYAK
FOUNDATION (PKSF) AND PARTNER ORGANIZATION (PO)**

A. For PKSF

Annual Statement of Utilization of Funds for PKSF
For the Year Ended [dd/mm/yy]
(in Tk)

	<u>Notes</u> *	<u>Year 1</u>	<u>Year 2</u>	<u>Cumulative</u>
A. Opening cash advance	-	XX	XX	XX
I. Sources of funds				
1. ADB loan proceeds		XX	XX	XX
2. Others (e.g. interest earned)		XX	XX	XX
Total (sum 1 to 2)		XX	XX	XX
II. Uses of funds				
1. Subloans to PO xx (with supporting schedule for qualified sub-borrowers)		XX	XX	XX
2. Subloans to PO xx (with supporting schedule for qualified sub-borrowers)		XX	XX	XX
Total (sum 1 to 2)		XX	XX	XX
B. Net cash activity (I - II)				
C. Ending cash balance (A - B)				
D. Cash in bank				
Reconciliation				
Amount advanced by ADB		XX	XX	XX
Add: Amount supplemented by ADB		XX	XX	XX
Present outstanding amount advanced		XX	XX	XX
Closing balance at year-end		XX	XX	XX
Add: Amounts withdrawn and not yet claimed		XX	XX	XX
Deduct: Interest included in closing balance		XX	XX	XX
Total advances accounted for		XX	XX	XX

*Please provide accompanying note disclosure and supplementary schedules necessary to explain the main statement.

**TERMS OF REFERENCE FOR AUDIT OF STATEMENT OF UTILIZATION OF FUNDS
AND SPECIFIC AUDIT ASSURANCE REQUIRED FOR PALLI KARMA SAHAYAK
FOUNDATION (PKSF) AND PARTNER ORGANIZATIONS (POS)**

A. AUDIT REQUIREMENTS

1. With regard to the Statement of utilization of Funds, ADB requires the following on an annual basis:

- (i) **Audit of the Annual Statement of Utilization of Funds.** The purpose of the audit of Statement of Utilization of Funds is to enable the auditor to provide an independent and objective professional opinion on whether the Statement of Utilization of Funds gives a true fair view or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework. The audit review will include Statement of Expenditures records and imprest fund procedure.
- (ii) **Management Letter.** Identifying any material weaknesses in the accounting and internal control systems that were identified during the audit of the Statement of Utilization of Funds, and recommendations to rectify identified weaknesses and clients' comments on the findings and status of significant matters raised in previous management letters. The Management Letter should include only those issues which do not affect the fairness of the Statement of Utilization of Funds. Serious issues which affect the auditor's opinion as to whether the Statement of Utilization of Funds gives a true and fair view, should be referred to in the audit opinion.

2. The audited Statement of Utilization of Funds and Management Letter will all be provided in English no later than six months after the end of the fiscal year to which they relate.

3. ADB shall disclose the annual audited Statement of Utilization of Funds and the opinion of the auditors thereto within 14 days of the date of ADB's confirming their acceptability by posting them on ADB's website. The Audit Management Letter will not be disclosed.

4. Auditors engaged to audit projects expenditures should understand the project and the entity being audited, including the contents of the Report and Recommendation of the President to the Board of Directors (RRP) and legal agreements. Auditors should also familiarize with ADB's guidelines on auditing.¹

B. STANDARDS

5. The auditors should accordingly consider materiality when planning and performing the audit(s) to reduce audit risk to an acceptable level that is consistent with the objective of the audit. Although the responsibility for preventing irregularity, fraud, or the use of loan proceeds for purposes other than as defined in the Project Agreement remain with PKSF, the audits should be planned so as to have a reasonable assurance of detecting material misstatements in the Statement of Utilization of Funds.

¹ Available from <http://www.adb.org/>. ADB's revised audit requirements are explained in the *Handbook for Borrowers on the Financial Management and Analysis of Projects* (2006), <https://www.adb.org/documents/handbook-borrowers-financial-management-and-analysis-projects>, and *Financial Management and Analysis of Projects* (2005), <https://www.adb.org/documents/financial-management-and-analysis-projects> or their updated versions.

C. CLIENTS INPUT AND COUNTERPART PERSONNEL

6. The auditors will have full and complete access, at all reasonable times to all records and documents including books of account, legal agreements, bank records, invoices, and any other information associated with the project and deemed necessary by the auditor. PKSF will have no objection to auditor's access to consultants, contractors, and other persons or firms hired by PKSF.

7. The auditor will be provided with full cooperation by all employees of PKSF, whose activities involve, or may be reflected in, the Statement of Utilization of Funds.

D. RECORD KEEPING

8. The auditors will pay particular attention to whether all necessary supporting documents, records, and accounts have been kept in respect of all project activities, with clear linkages between the accounting records and the Statement of Utilization of Funds. This will include (i) computation and recalculation, including checking the mathematical accuracy of estimates, accounts, or records; (ii) reconciliation, including reconciling related accounts to each other, subsidiary records to primary records and internal records to external documents; and (iii) tracing, including tracing journal postings, subsidiary ledger balances, and other details to corresponding general ledger accounts or trial balances.

E. INDEPENDENCE

9. The auditors will be impartial and independent from any aspects of management or financial interest in the entity under audit. In particular, the auditors should be independent of the control of the entity. The auditors should not, during the period covered by the audits, be employed by, or serve as director for, or have any financial or close business relationship with the entity. The auditors should not have any close personal relationships with any senior participant in the management of the entity. The auditors must disclose any issues or relationships that might compromise their independence.

10. The auditors must be authorized to practice in the country and be capable of applying the agreed auditing standards. The auditors should have adequate staff, with appropriate professional qualifications and suitable experience, including experience in auditing the accounts of entities comparable in nature, size and complexity to the entity whose audit they are to undertake. To this end, the auditors are required to provide curriculum vitae (CV) of the auditors who will provide the opinions and reports, together with the CVs of managers, supervisors and key personnel likely to be involved in the audit work. These CVs should include details of audits carried out by these staff, including ongoing assignments.

QUARTERLY PROJECT PERFORMANCE MONITORING REPORT

(dd/mm/yyyy)

1. Basic Data

Loan No	
Country	Bangladesh
Project Title	Microenterprise Development Project
Approved Loan Amount	\$50 million
Approval Date	
Closing Date (original)	
Executing Agency	Financial Institutions Division
Implementing Agency	Palli Karma Sahayak Foundation (PKSF)

2. Progress against Design and Monitoring Framework

Performance Targets and Indicators	Baseline (December 2018)	Targets	Timing	Status (as of ____)	Remarks
Output Indicators					
Key Activities and Milestones					

3. Consolidated PKSF Loan Utilization

No.	Name of MFI	Region	Loan Agreement Date	Loan Disbursement Date	Loan Amount	Maturity	Interest Rate (effective)	No. of proposed borrowers	No. of proposed borrowers (female)	Outstanding Loan Balance

No.	Name of MFI	Region	Loan Agreement Date	Loan Disbursement Date	Loan Amount	Maturity	Interest Rate (effective)	No. of proposed borrowers	No. of proposed borrowers (female)	Outstanding Loan Balance

4. Consolidated Microenterprise Loan Portfolio Status

No.	Name of MFI	Amount of Microenterprise Loan Disbursed	No. of Borrowers	No. of Female Borrowers	No. of Loans	Average Loan Amount	Average Loan Maturity	Effective Interest Rate	Portfolio at Risk

5. Microenterprise Profile

Microenterprise Loan Sector	No. (%)	No. of employee	No. of female employee
Agriculture			
Manufacturing			
Retail			
Services			
Others			

6. Outstanding Project Management Issues

7. POs' Compliance Monitoring

GENDER ACTION PLAN IMPLEMENTATION REPORT

Activities	Targets and Indicators	Responsibility	Progress as of December 2017	Remarks (Reasons for non-implementation of activity and non-achievement of target)
A. Output 1:				
B. Output 2:				
C. Output 3:				

PARTNER ORGANIZATION MONTHLY PROJECT PROGRESS MONITORING REPORT

(as of dd/mm/yyyy)

Name of Partner Organization:

For the Period of:

1. Consolidated Utilization of Loans

Total Amount Disbursed	Share of microenterprise loans of the total portfolio	Number of Borrowers	Number of Loans	Average Loan Amount	Average Loan Term	Average Effective Interest Rate	Portfolio at Risk

2. Subloan Status

No.	Name of borrower	New or existing client	Loan amount	Loan Agreement Date	Maturity	Effective Interest Rate	Outstanding Balance	Loan Purpose	Sector	Male/Female	Year in Business	No. of employee	Region

3. Status of Environment and Social Safeguard Monitoring

