



## Regional: Improving the Financial Management Capacity of Executing Agencies in Afghanistan and Pakistan

Project Name	Improving the Financial Management Capacity of Executing Agencies in Afghanistan and Pakistan	
Project Number	46539-001	
Country	Regional	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	<b>TA 8697-REG: Improving the Financial Management Capacity of Executing Agencies in Afghanistan and Pakistan</b> Technical Assistance Special Fund <span style="float: right;">US\$ 500,000.00</span>	
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development	
Sector / Subsector	<b>Public sector management</b> - Public expenditure and fiscal management	
Gender Equity and Mainstreaming	No gender elements	
Description	<p>The regional capacity development technical assistance (the TA) seeks to strengthen project financial reporting, auditing and executing agencies' accounting operations in Afghanistan and Pakistan.</p> <p>Output 1: Improved quality of project financial statements. Workshops will be provided to executing agencies in both Afghanistan and Pakistan. The workshops will help project accountants become familiar with cash basis International Public Sector Accounting Standards (IPSAS) and will demonstrate how to prepare a project financial statement in accordance with cash basis IPSAS by using country-specific project financial statements. The workshops will also help executing agencies understand the importance of independent audit as well as timely response to audit findings raised by the auditors. After the workshops, executing agencies will be able to prepare project financial statements acceptable by ADB.</p> <p>Output 2: Improved quality of audit reports. This output is only applied to ADB-financed projects in Pakistan. ADB will provide workshops to government auditors on ADB's auditing requirements, relevant auditing standards under International Standards of Supreme Audit Institutions, as well as eligible expenditure under ADB-financed projects.</p> <p>Output 3: Country project financial management manuals. To ensure the manual is owned and used by executing agencies, consultants will conduct workshops to gather the requirements from executing agencies. By working with executing agencies, and with ADB guidance, consultants will develop country project financial management manuals for Afghanistan and Pakistan to identify specific requirements and clarify which actions need to be undertaken when, how, and by whom. The manual will help executing agency staff who are implementing the projects to record financial transactions, strengthen internal control, prepare financial reports, and administer ADB-financed projects. The manual will help executing agencies improve their capacity in financial management. It will also include samples of project financial statements for that country and, for Afghanistan, terms of reference for external auditors.</p>	
Project Rationale and Linkage to Country/Regional Strategy	<p>Currently, ADB receives annually an average of 120 audited project financial statements and audited financial statements from executing agencies implementing ADB-financed projects in Afghanistan and Pakistan. The quality and timeliness of audited project financial statements is a major concern. The project financial statement is often presented in a nonstandard form and is inconsistent among executing agencies. The project financial statements for ADB-financed projects are generally prepared in accordance with cash basis International Public Sector Accounting Standards (IPSAS).</p> <p>The TA aims to enhance awareness and strengthen knowledge on international accounting and auditing standards and practices to improve financial reporting and auditing for ADB funded projects in Afghanistan and Pakistan.</p>	
Impact	Improved financial management compliance across all ADB-financed projects in Afghanistan and Pakistan	

## Project Outcome

Description of Outcome	Improved financial management of ADB-financed projects during project implementation in Afghanistan and Pakistan
Progress Toward Outcome	
<b>Implementation Progress</b>	
Description of Project Outputs	1. Improved quality of project financial statements 2. Improved quality of audit reports 3. Country project financial management manuals
Status of Implementation Progress (Outputs, Activities, and Issues)	Output 1: ADB conducted financial management training in Bhurban, Pakistan 25-28 August 2015 and in Kabul, Afghanistan 2-4 November 2015 Output 2: Audit training was conducted from 9-12 June 2015, Bhurban, Pakistan. The implementation of audit manual for Foreign Funded Projects in Pakistan is on track. Output 3: Implementation is on track
Geographical Location	Pakistan, Afghanistan

## Summary of Environmental and Social Aspects

Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
<b>Stakeholder Communication, Participation, and Consultation</b>	
During Project Design	ADB's Central and West Asia Department (CWRD) conducted consultations in the second half of 2013 on financial management matters of ADB-financed projects in CWRD's developing member countries. As a result of those consultations, the technical assistance (TA) focuses on two countries with immediate needs - Afghanistan and Pakistan. The fact-finding in these two countries took place in February_ and May 2014.
During Project Implementation	ADB fielded mission and periodical meetings with Economic Affairs Division (EAD), Department Auditor General of Pakistan, Implementing Agencies and TA steering committee. Implementation is on track. In June 2016, the Economic Affairs Division of Pakistan and DAGP requested ADB to expand the TA scope to assist the DAGP in (i) developing audit manual for foreign funded projects, (ii) providing audit software, and (iii) providing training and support on the manual during implementation. The additional components will help DAGP standardize audit practice, improve and sustain audit quality across its provincial audit offices in Pakistan. This will improve audited project financial statements for ADB-funded projects' quality and will benefits TA outcome. Due to budget constraint , audit manual and training and support on the manual was recommended for approval under the TA change in Scope. The activities under this additional TA scope are 1) deliver audit manual for foreign funded projects by June 2017 and 2) deliver training and support on the manual during implementation. A contract variation to expand the scope with KPMG (the consultant) to deliver the the audit manual was approved by OSFMD on 9 March 2017.

## Business Opportunities

Consulting Services	A consulting firm in accounting and auditing has been hired to (i) provide support to executing agencies or implementing agencies in preparing project financial statements in accordance with cash basis International Public Sector Accounting Standards (IPSAS), thereby improving project financial management efficiency; and (ii) develop the financial management manuals for Afghanistan and Pakistan. Team members assigned by the firm shall have a university degree in accounting or finance (preferably postgraduate level) and be a certified public accountant, chartered accountant, or a member of the Association of Chartered Certified Accountants. (i)_ International expert, team leader (4 person-months) (ii)_ National expert assigned for Pakistan, team member (7 person-months) (iii)_ National expert assigned for Afghanistan, team member (7 person-months) To deliver the training and support the audit manual preparation during implementation, a contract variation to expand the scope with KPMG (the consultant) was approved by OSFMD on 9 March 2017.
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## Responsible Staff

Responsible ADB Officer	Pham, Diep N.
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Energy Division, CWRD

**Timetable**

Concept Clearance	30 May 2013
Fact Finding	27 May 2013 to 07 May 2014
MRM	-
Approval	12 Aug 2014
Last Review Mission	-
Last PDS Update	31 Mar 2017

**TA 8697-REG**

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
12 Aug 2014	-	12 Aug 2014	30 Jun 2017	30 Apr 2018	-

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
500,000.00	0.00	0.00	0.00	0.00	0.00	500,000.00	12 Aug 2014	268,043.91

Project Page	<a href="https://www.adb.org/projects/46539-001/main">https://www.adb.org/projects/46539-001/main</a>
Request for Information	<a href="http://www.adb.org/forms/request-information-form?subject=46539-001">http://www.adb.org/forms/request-information-form?subject=46539-001</a>
Date Generated	06 July 2017

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