

# Project Administration Manual

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Myanmar: Economic Empowerment of the Poor and  
Women in the East-West Economic Corridor Project  
(Financed by the Japan Fund for Poverty Reduction)

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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 Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Ministry of Hotels and Tourism (MOHT) and the Office of the Chief Minister, Mon State are wholly responsible for the implementation of ADB financed project, as agreed jointly between the grant recipient and ADB, and in accordance with Government and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by MOHT and Office of the Chief Minister, Mon State, of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Grant Negotiations the Government and ADB shall agree to the PAM and ensure consistency with the Grant agreement. Such agreement shall be reflected in the minutes of the Grant Negotiations. In the event of any discrepancy or contradiction between the PAM and the Grant Agreement, the provisions of the Grant 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 upon such approval they will be subsequently incorporated in the PAM.

## ABBREVIATIONS

ADB	-	Asian Development Bank
CBO	-	community based organization
CSO	-	civil society organization
EMP	-	environmental management plan
EWEC	-	East West Economic Corridor
GAP	-	gender action plan
GMS	-	Greater Mekong Sub-region
IEE	-	initial environmental examination
JFPR	-	Japan Fund for Poverty Reduction
MSEs	-	micro and small enterprises
MSMEs	-	micro, small and medium-sized enterprises
MOHT	-	Ministry of Hotels and Tourism
NGO	-	nongovernment organization
O&M	-	operations and maintenance
PIU	-	project implementation unit
PMU	-	project management unit
SOE	-	statement of expenditure
TNA	-	training needs analysis
VFPR	-	village focal point representatives

## I. PROJECT DESCRIPTION

### A. Rationale

1. **Project Context.** In Mon State, more than 39% of the population is underemployed and more than 16% of families are classified as poor; despite rapidly increasing trade and tourism in the area.<sup>1</sup> Approximately 55% of the population in Mon state is self-employed, operating micro and small enterprises (MSEs) and selling agricultural products such as processed foods (e.g., fruit/vegetable juice, jams and dried goods) and handicrafts, including bamboo and woven products. However, these MSEs are constrained by low productivity and make limited contributions to household poverty reduction. They face various challenges, including (i) insufficient product knowledge, low access to appropriate processing technology and a shortage of skilled employees; (ii) lack of business management skills and access to business development services; (iii) limited access to finance and markets<sup>2</sup> and; (iv) insufficient infrastructure and weak institutional support. The above constraints prevent the residents of Mon state from developing productive enterprises that could supply value-added products to expanding local and regional markets.

2. About 15.1% of the 2.3 million Myanmar nationals migrating to Thailand in search of better paying jobs are from Mon state.<sup>3</sup> Currently, total remittances sent by Myanmar migrant workers in Thailand amounts to \$ 1.7 billion nationally, of which more than \$ 588 million is sent to Mon state annually.<sup>4</sup> However, these remittances are mostly used to support basic survival needs and the use of these funds for investment and other productive purposes would maximize their development impact and support poverty reduction of households impacted by migration.

3. Tourism in Mon state has strong potential for growth. The proposed project site near Kyaikthiyo (the Golden Rock Pagoda) is one of the top tourist destinations in Myanmar, with more than one million visitors in 2013.<sup>5</sup> Mawlamyine and Mudon with the country's largest reclining Buddha, pagodas, old churches, caves, and huge rock formations are also increasingly popular tourist sites.<sup>6</sup> The State government plans to promote Mon as an area for cultural and community based tourism and significant investment in new hotels and tourist facilities are underway. It is expected that these opportunities, together with increased connectivity resulting from improvements to the East-West Economic Corridor road network will result in a sharp increase in international tourism and trade in the proposed project areas.<sup>7</sup>

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<sup>1</sup> Government of Myanmar, Ministry of National Planning and Economic Development; Swedish International Development Cooperation Agency; United Nations Children's Fund; and United Nations Development Programme. 2011. *Integrated Household Living Conditions Survey in Myanmar (2009–2010)*. Nay Pyi Taw.

<sup>2</sup> In Mawlamyine Township, there is no dedicated craft or souvenir market for tourists to buy local products. A number of CSO/ NGOs have small craft outlets dispersed on the outer edge of the city far from the main tourist site. A key reason for this is that these less ideal locations offer affordable rents. However, annual rental fees are often required in advance.

<sup>3</sup> A large number of the migrants are males who leave behind females to head the households.

<sup>4</sup> International Organization for Migration. Presentation on *Assessing Potential Changes in Migration Patterns of Myanmar Migrants and their Impacts on Thailand - Analysis of findings for stakeholders in Myanmar*, 24 February 2014.

<sup>5</sup> Ministry of Hotels and Tourism. 2013. *Myanmar Tourism Master Plan 2013-2020*. Nay Pyi Taw.

<sup>6</sup> Among the tourist attractions in Mawlamyine and Mudon are famous pagodas, such as Santawshin Pagoda, also named mountain top pagoda, and Kyaikkami Pagoda, perched on rocks by the sea; caves of Kawgoon and Payon, known for its numerous Buddha images, stalagmites and stalactites; Kyauktalon Taung, a flat rock formation 300 feet in height with a Buddhist shrine situated on top; and Win Sein Taw Ya, the largest reclining Buddha in the world which is 30 meters high and 180 meters in length.

<sup>7</sup> ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Republic of the Union of Myanmar for the Greater Mekong Subregion East–West Economic Corridor Eindu to Kawkareik*

4. To prepare local producers of agricultural products and handicrafts to exploit income generation and employment opportunities associated with new markets and facilitate access to established local and tourist markets in Mon, Yangon and at the Myawaddy-Mae Sot border, investments in training, capacity building and small infrastructure are needed.

5. **Project Beneficiaries and Location.** The project will support 900 households in 12 villages to access livelihood support and employment. Project areas are situated in Mon State's Kyaikhto, Mawlamyine, Mudon and Chaungzon townships. The project will promote pro-poor, microenterprise development, focusing on locally made handicrafts and processed foods for local and tourist markets. The project will provide technical training primarily to women MSE entrepreneurs together with business development and management skills, and facilitate access to finance, markets, and business support services.<sup>8</sup> This will enable MSEs to establish productive businesses or expand into higher value production. MSE development will create new jobs and support skills development aligned to labor market needs. This will help the unemployed and the poor and marginalized residents, especially women, to enter the workforce. Support to strengthen local government and key stakeholder capacity and institutional arrangements will improve the business enabling environment.

6. Final selection of target villages will take place after field surveys at project inception and will be based on the following selection criteria: (i) villages have poverty rates of at least 16%; (ii) communities have sufficient basic skills to produce crafts and food products; (iii) at least 75% of products selected will be produced mainly by women in women-led enterprises; (iv) there is proven market demand for the type of products that can be produced in target villages; (v) families of migrants who are interested in setting up small business with the use of remittances are eligible; (vi) female-headed households, in particular for skills training to increase employability in MSEs, very poor community members, and/or women from ethnic groups will be prioritized, (vii) participation in the project is endorsed by community leaders and the intended project recipients.

7. **Linkage to country/regional strategy.** The proposed project is aligned with the Government's priority to create jobs and generate income to reduce poverty, as highlighted in Myanmar's National Comprehensive Development Plan 2011–2031. The Government's Framework for Economic and Social Reforms<sup>9</sup> emphasizes transition from predominantly low productive agriculture to higher value products through promoting micro-, small-, and medium-sized enterprises (MSMEs) and trade, as one channel to facilitate inclusive growth. It is consistent with ADB's Myanmar Interim Country Partnership Strategy 2015–2016 that focuses on inclusive economic growth and job creation, and support for rural livelihoods.<sup>10</sup> The project will complement other ADB assistance<sup>11</sup> and will be coordinated with other development partner interventions.<sup>12</sup>

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*Road Improvement Project.* Manila. The road improvements will ensure a good road network stretching from Myawaddy on the Thai border and linking it to Hpa-an Kyaikhto and Mawlamyine, and Yangon, by 2018.

<sup>8</sup> Trainings will also be provided to unemployed persons, especially women and the poor.

<sup>9</sup> Government of Myanmar. 2012. *Framework for Economic and Social Reforms: Policy Priorities for 2012–2015 towards the Long-Term Goals of the National Comprehensive Development Plan.* Yangon.

<sup>10</sup> ADB. 2012, extended in 2014. *Interim Country Partnership Strategy: Myanmar 2012–2014, extended to 2016.* Manila.

<sup>11</sup> Footnote 7.

<sup>12</sup> The project complements SwissContact's *Myanmar Vocational Skills Development Program*, which includes Kayin and Mon states. Complementarities and synergies will be sought with ongoing local interventions in project sites.

## B. Impact and Outcome

8. The project impact is increased employment and income of owners and employees of micro and small enterprises in southeast Myanmar. The outcome is micro and small enterprises are enabled to increase business activities in project areas.

## C. Outputs

9. **Output 1. Skills and management capacity of micro and small enterprises and their employees developed.** This output will undertake: (i) a value chain analysis that will be used in the final selection of crafts and local food products to be developed; (ii) a market study of local and tourist consumer demand for specific product lines to be supported by the project; (iii) village consultations and awareness raising seminars with producers and retailers to establish producer and retailer groups and disseminate information about consumer preferences and market demand for products; (iv) village consultations with producers and raw materials suppliers about availability and sustainability of raw materials; (v) design technical training programs to improve existing and create new product lines based on the baseline studies. Briefings on gender equality, safe migration and life skills, will be included as a standardized training package. Master trainers will be trained by existing training entities (e.g. vocational training institutes, government agencies, NGOs) and provided with training materials and equipment, as needed. In addition, the project will train master trainers from producer groups for each product line and deliver technical training related to food processing and handicrafts, including quality standards and food safety. Stipends or transport allowance will be provided to support men and women's attendance in training. Training will be implemented through appropriate government and civil society agencies to ensure sustainability.

10. **Deliverables:** (i) at least 12 villages are selected for inclusion in the project; (ii) market study, and training needs assessments are completed; (iii) value chain analysis conducted for 12 products with potential for commercialization; (iv) at least 1,700 people are trained to produce and market quality products, of which at least 60% are women; (v) 100 master trainers from government, CSOs and producer groups trained in improved production techniques (60% are women); and (vi) 300 new enterprises are formed.

11. **Output 2. Access to business services, credit and commercial networks strengthened.** This output will identify input suppliers, business development training service providers, microfinance providers, and the feasibility of credit access and commercial networks to strengthen market linkages. It will develop training courses and deliver training to MSEs on business development, management, and accounting that culminate in individual business plans. Activities will strengthen the access of MSEs and retailers to affordable credit by introducing them to local microfinance institutions, while implementing training modules to train MSEs and retailer groups to create independent savings and credit groups. Support for participation in trade fairs and business-matching workshops will strengthen commercial networks involving MSEs, suppliers, wholesalers, and retail outlets and markets in Mon and Yangon. Support to develop a "Made in Mon, Myanmar" brand, product design competitions for innovative handicrafts, and related marketing and promotion programs will increase market awareness of products produced in the project area.

12. **Deliverables:** (i) At least 900 producers have increased knowledge of sound business development and management practices (60% are women); (ii) 90% of producers have access to affordable credit (60% are women); (iii) at least 7 products produced in the Mon state will be marketed and sold through retail outlets in Yangon or other major cities.

13. **Output 3. Infrastructure to support access to markets and processing facilities improved.** This component will provide retailers and traders with a custom-built public market facility<sup>13</sup> in Mawlamyine and a multi-function processing center in Kyaikhto. Both facilities will be operated under public-private-community partnership models (PPCP) to promote local ownership while ensuring effective management and long-term financial sustainability. This output will: (i) develop a local product and craft market with amenities in Mawlamyine, including directional signage and vehicle parking; (ii) establish a market management committee comprising local community members, retailers, small-scale producers, and local government authorities. It is envisaged that a private or CSO-managed social enterprise with relevant experience will operate the market under a PPCP management agreement. A vendor association will be established to enhance bargaining power of women, poor producers, and retailers to leverage collective interests in market operations. Establishment of the multi-function processing center will provide producers with suitable space for hygienic processing, packaging, and distributing food and handicrafts to traders. A management committee will be established comprising producers and local government representatives who may partner with a private/social enterprise to manage the facility. Suitable processing equipment will be provided based on need.

14. The land for the market and multi-function processing facility will be vacant, unused and unoccupied state-owned land free of encumbrances, to be identified and provided by the government. Operations and maintenance (O&M) plans for the market and processing facility will be prepared to ensure sustainability and financing of recurrent costs. This output will provide direct employment for vendors, vendor employees, site managers and maintenance staff. Indirect employment will be generated for suppliers and transportation providers. General specifications for the market facility are in Appendix 1.

15. **Deliverables:** (i) craft and local product market developed with at least 25 vendors; (ii) the market is operational, well maintained, and financially sustainable; (iii) a market management committee and vendor association established (60% of members are women); (iv) a multi-function processing center established; and (v) O&M plans for the market and processing facility are prepared and implemented.

16. **Output 4. Capacity of executing and implementing agencies, and key stakeholders enhanced.** This output will strengthen management capacity of the project management unit and project implementation unit. It will support institutional capacity building and interagency coordination for smooth project implementation, including bi-annual project review and planning meetings with participation of project staff, village focal point representatives, and other project stakeholders. Sex-disaggregated project performance and monitoring systems will be established to monitor key performance indicators, safeguards compliance, and the gender action plan. Project staff and consultants will receive training to build their capacity to address gender issues in enterprise development. Quarterly project progress reports will be prepared by the project team and submitted to the government and ADB based on agreed annual work plans. Output 4 will also support the preparation of baseline, midterm and a final poverty and social impact assessments to measure project performance, preparation of annual audited financial statements, and the project's exit and sustainability strategy. Project documents and reports will be made freely available by establishing project-specific web pages on the Ministry of Hotels and Tourism website.

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<sup>13</sup> Accessibility of the market to women producers, MSEs and retailers will be a key criterion.

17. **Deliverables:** (i) project supervision, management, and implementation arrangements established; (ii) project counterpart staff, consultants, and village focal point representatives appointed and performing agreed duties (35% women staff); (iii) sex disaggregated project performance and management system established; (iv) all counterpart staff, consultants and implementing partners trained in gender issues in enterprise development.

18. **Innovation.** The project will demonstrate how to assist local people access socioeconomic benefits associated with growing tourism in Mon State and road improvements in the East-West Economic Corridor, thus providing a model for replication in other parts of the country. It will promote entrepreneurship among migrant returnees and “left behind” families of migrants through the effective use of remittances. Strengthening community based enterprises and implementing life-skills training programs will provide young men and women with alternatives to unsafe migration.

19. **Sustainability.** The proposed outcome of the project will be sustained by strengthening project beneficiaries’ capabilities to engage in all stages of the value chain, from identifying business opportunities to sourcing raw materials and the production and sale of finished products. Training on gender equality and life skills is envisaged to promote gender fair division of resources and labor and will create an enabling environment for women to access livelihood opportunities. The project will collaborate closely with existing government and other local institutions responsible for livelihood development, including local training entities and vocational training centers, credit institutions, and NGOs. The project will transfer knowledge and skills to institutionalize capacity development and support coordination mechanisms that can help ensure sustainability and replication of project activities in the future.

## II. IMPLEMENTATION PLANS

### A. Project Readiness Activities

20. Table 1 presents the project readiness activities.

**Table 1: Project Readiness Activities**

Indicative Activities	2015				2016				Who Responsible*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Advance contracting actions				X					ADB & EA
Grant Fact-Finding Mission Aide Memoir endorsed		X							EA
Clearance of safeguard documents		X							ADB & EA
Establish project implementation team and arrangements					X				EA
GOJ endorsement			X						GOJ
ADB Board approval			X						ADB
Grant signing				X					ADB & EA
Government legal opinion provided				X					EA
Government budget inclusion					X				EA
Grant effectiveness (About 1-2 months after grant signing)					X				ADB & EA

ADB = Asian Development Bank, GOJ = Government of Japan, EA = executing agency.

Source: ADB estimates.



### III. PROJECT MANAGEMENT ARRANGEMENTS

#### A. Project Implementation Organizations – Roles and Responsibilities

22. **National Project Steering Committee.** A high level National Project Steering Committee (NSC) will be established before project inception. The NSC will meet bi-annually and as needed, to provide project oversight, in particular, review project progress, provide policy guidance, and facilitate interagency coordination and exchange of lessons. It will be chaired by the Union Minister, Ministry of Hotels and Tourism (MOHT). The Committee will include Director General, MOHT and the Project Director. The NSC will include representation from the Office of the Chief Minister of Mon State (Ministry for Planning). It will also include other line Ministries such as the Ministry of Commerce, Ministry of Cooperatives, Ministry of Social Welfare, Ministry of Labour and the Ministry of Agriculture. ADB will selectively participate in NSC meetings. Development partners, CSOs, relevant representatives from industries, academia or related fields will be invited to participate on occasion, based on need.

23. **Project Management Unit (PMU).** The PMU will be established in the project's executing agency, the MOHT. The main functions of the PMU will be to ensure timely and effective project planning, management, coordination, recruitment of consultants, procurement, financial controls, monitoring, and reporting to the government and ADB. The PMU will include counterpart staff of the MOHT: a National Project Director, Deputy Project Director, Financial Specialist and a project assistant. The PMU will be supported by a consultant team of technical and administrative/financial specialists. The consultant team will help the PMU carry out effective project supervision, monitoring and reporting, provide technical inputs, and support semi-annual planning and review processes. Office space will be provided within the MOHT building in Nay Pyi Taw.

24. **Project Implementation Unit (PIU).** The Office of the Chief Minister for Mon State will be the Implementing Agency, where the PIU will be based. The PIU will be led by the Project Manager from the Department of Planning and a Deputy Project Manager from MOHT. The PIU will comprise two Project Coordinators supporting implementation in the four townships and one accountant. The PIU will include local line agencies directly relevant to the project, such as the Trade Promotion Department (Ministry of Commerce), Small Scale Industries Department (Ministry of Cooperatives), General Administration Department, Department of Social Welfare, the Department of Agriculture, Department of Labour, and the Township Community Development Committee. The PIU will be responsible for coordinating and implementing day-to-day project activities with government interagency partners, other development partners, and civil society organizations (CSOs). The PIU will be supported by a consultant team of technical, administration, and finance specialists. The PIU will report to the PMU and the Office of the Chief Minister for Mon State. Office space will be provided by the Office of the Chief Minister.

25. **Community Participation.** Each participating village will appoint at least four Village Focal Point Representatives (VFPRs) comprising at least two women. The VFPRs will participate in bi-annual planning and review meetings as well as provide support to coordinators to facilitate project activities in the villages. VFPRs must be members of the project-supported producer groups. This will promote mutual ownership of the project work plans. Two weeks before the completion of each work plan period, the PIU and VFPRs will review accomplishments, challenges, and lessons learned before selecting activities for inclusion in subsequent work plans.

26. **Stakeholder Participation.** Project bi-annual review and planning meetings will be attended by VFPRs, PIU staff, PMU staff, CSOs, development partners and other stakeholders directly collaborating and implementing the project activities to ensure good coordination and synergies.

27. The roles and responsibilities of entities managing implementation of the project are summarized in Table 3. The project organization structure is presented in Figure 1.

**Table 3: Management Roles and Responsibilities**

<b>Management Entity</b>	<b>Roles and Responsibilities</b>
National Project Steering Committee	<ul style="list-style-type: none"> <li>➤ Provide policy guidance and advice on project-related issues;</li> <li>➤ Oversee implementation in conformity with the project's development objectives and scope;</li> <li>➤ Review overall project outputs and achievement towards project impact and outcome;</li> <li>➤ Assist in coordination among national local government agencies involved in project implementation and related activities;</li> <li>➤ Review progress and monitoring reports and ensure that information on project progress is disseminated to relevant government agencies and address any planning and coordination issues arising;</li> <li>➤ Facilitate the selection of counterpart staff;</li> <li>➤ Ensure the timely approval of work permits and visas for international staff working on the project.</li> </ul>
Executing Agency (MOHT)	<ul style="list-style-type: none"> <li>➤ Approves the project's annual work plan and budget;</li> <li>➤ Overall responsibility for the execution of the project;</li> <li>➤ Reviews the project implementation progress;</li> <li>➤ Reviews and endorses any proposed change in the project scope or implementation arrangements;</li> <li>➤ Supervises compliance with safeguards and other grant covenants;</li> <li>➤ Provides oversight for financial management of the project.</li> </ul>
Project Management Unit (embedded within MOHT)	<ul style="list-style-type: none"> <li>➤ Administer the project imprest account for the JFPR grant;</li> <li>➤ Project preparation, including the establishment of financial and management systems and procedures, procurement of equipment, management of the project's imprest account;</li> <li>➤ Prepare, authorize and submit of withdrawal applications</li> <li>➤ Consultant recruitment and supervision;</li> <li>➤ Preparation and submission of rolling annual action plans, consolidating PMU-led activities and work plans received from PIUs to the NPSC;</li> <li>➤ Ensuring compliance with grant covenants and assurances</li> <li>➤ Facilitate updating and coordinate with relevant agencies for approval of and ensure compliance with IEEs/EMPs, GAP and social safeguards criteria and screening procedures;</li> <li>➤ Tendering, bid evaluation, award/signing of the contract</li> <li>➤ Ensure that applicable environmental approval/s have been obtained from relevant agencies prior to any contract award;</li> <li>➤ Review and approval of goods and civil works contracts, including bid documents;</li> <li>➤ Approval of payment to contractors and maintaining disbursement records;</li> <li>➤ Coordination between the concerned agencies at the national and provincial levels;</li> <li>➤ Coordination of activities of the PIUs and the inputs of concerned</li> </ul>

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	<p>stakeholders;</p> <ul style="list-style-type: none"> <li>➤ Coordination of all reporting aspects of the project;</li> <li>➤ Coordination of institutional strengthening measures;</li> <li>➤ Administrative and technical support to the PIU;</li> <li>➤ Preparation of consolidated project accounts to be forwarded to ADB;</li> <li>➤ Coordinate/consolidate bi-annual project reports, including safeguards monitoring report for submission to ADB;</li> <li>➤ Coordinate all specified monitoring, evaluation and reporting activities;</li> <li>➤ Communicate project outcomes, outputs, and activities to all stakeholders.</li> </ul>
Project Implementation Unit (embedded within the Office of the Chief Minister for Mon State	<ul style="list-style-type: none"> <li>➤ Coordinate and support day-to-day implementation of project activities with the multi-sector government interagency partners and other development partners and civil society organizations;</li> <li>➤ Provide inputs to help the PMU prepare the project's rolling annual work plans;</li> <li>➤ Coordination and supervision of consultant inputs for detailed design of civil works;</li> <li>➤ Procure good and works; PIU will be a member of the procurement committee along with PMU.</li> <li>➤ Coordinate with the relevant agencies and consultants on updating the safeguard documents;</li> <li>➤ Obtain applicable environmental approval/s from relevant agencies prior to any bidding</li> <li>➤ Conduct due diligence and prepare the social safeguards checklists for each civil works or infrastructure upgrading, to be confirmed by the assigned staff of PMU prior to submission for financing</li> <li>➤ Administer project sub-accounts for the JFPR grant;</li> <li>➤ Approve payments and maintaining disbursement records for PIU managed expenditure;</li> <li>➤ Ensure that institutional-strengthening and capacity-building initiatives involving SMEs and CBOs are implemented in line with agreed project designs, schedules and budgets;</li> <li>➤ Establish/enhance mechanisms to sustainably finance operation and maintenance of project supported infrastructure;</li> <li>➤ Coordination with all concerned stakeholders;</li> <li>➤ Monitoring and quarterly reporting on progress and issues (including safeguards compliance) to the PMU.</li> </ul>
ADB	<ul style="list-style-type: none"> <li>➤ Assists PMU with timely guidance at each stage of project implementation following agreed implementation arrangements;</li> <li>➤ Timely review of all documents that require ADB approval;</li> <li>➤ Provide oversight for procurement and consultant recruitment;</li> <li>➤ Twice yearly project review missions, midterm review, and evaluation at project completion;</li> <li>➤ Monitoring compliance of all grant covenants;</li> <li>➤ Timely processing of withdrawal applications and release of eligible funds;</li> <li>➤ Monitoring compliance of financial audit recommendations;</li> <li>➤ Regularly updates project information disclosure on the ADB website.</li> </ul>

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ADB = Asian Development Bank, GAP = gender action plan, IEE = initial environmental; examination, JFPR = Japan Fund for Poverty Reduction, MOHT = Ministry of Hotels and Tourism, NPSC = National Project Steering Committee, PMU = project management unit, PIU = project implementation unit, SME = small and medium-sized enterprise.

28. An overview of job descriptions for PMU and PIU counterpart staff are in Table 4.

**Table 4: PMU and PIU Staff Job Descriptions**

<b>Position</b>	<b>Job Description</b>
<b>PMU staff</b>	
<b>Project Director</b>	The PMU-based Project Director (PMU-PD) shall be tasked with authority to manage the overall project. The PMU PD's responsibilities include: (i) approve and endorse all financial transactions as the MOHT's legal representative; (ii) supervise contracts with consultant and suppliers; (iii) act as the focal point for all formal MOHT- ADB correspondence; (iv) delegation of authority to another person within the MOHT to sign documents on behalf of the project in the PMU-PD's absence; (v) represent the project at all high-level meetings and act as the project's focal point within the MOHT and coordinate with the project National Steering Committee; (vi) ensure project activities are compliant with ADB and government safeguard policies and complete safeguards screening and checklist in accordance with ADB safeguards requirements; (vi) supervise all consultants' inputs and civil works and procurement; and (vii) bi-annual project reporting to ADB. All counterpart staff, individual consultants and institutions, recruited to assist with project implementation shall report directly to the PMU-PD, unless the PMU-PD delegates other PMU/PIU counterpart staff to adopt these functions. The PMU-PD will report directly to the DG, MOHT.
<b>Deputy Project Director</b>	The PMU-based Deputy Project Director (DPD) shall be tasked with the responsibility to support the PMU-PD with the following tasks: (i) assist in the supervision of all contracts with consultant and suppliers and project implementation partners; (ii) support and represent PMU-PD as needed on all project management and supervision tasks; and (iii) any other tasks as assigned by the PMU-PD. The DPD will directly supervise the Financial Specialist and the Project Assistant. The DPD reports to the PMU-PD.
<b>Financial Specialist</b>	The PMU-based Financial Specialist (FS) shall be responsible for the overall financial management of the Project, including: (i) create detailed annual expenditure budgets based on annual work plans; (ii) maintain the project's imprest account and financial management system in conformity with ADB procedures; (iii) provide monthly, quarterly, bi-annual and annual financial statements pertaining to the management of the imprest account; (iv) with approval of the PMU-PD, countersign and process eligible payments originating from the operation of the imprest account; (v) create and maintain the PMU assets register; (vi) ensure that the PIU's civil works or infrastructure upgrading account has ample funds to cover PIU operation costs and all other costs associated with PIU implementation partner activities; (vii) participate and provide input into the project's bi-annual work plans; and (viii) liaise, monitor and keep abreast of all project procurement. The FS will report to the PMU-PD and DPD.
<b>Project Assistant</b>	The Project Assistant (PA) shall establish and maintain a filing system as follows: (i) all data shall be stored in hard and soft copy formats; (ii) soft copy and electronic data shall be backed up to an external hard drive on a daily basis; (iii) create soft copies of all signed documents using a scanner so that duplicates may be printed or emailed to recipients with a high degree of efficiency; (iv) maintain records of all correspondence between the ADB, PMU/PIU, consultants and suppliers; and (v) maintain all PMU office equipment in good working order – including maintenance of electronic and IT equipment. The PA will report to the DPD.
<b>PIU staff</b>	
<b>Project Manager</b>	The PIU will be led by the PIU Project Manager (PIU-PM) who shall assume responsibility for implementation of activities in the project's target areas in Mawlamyine and Kyaikhto in Mon State. The PIU-PM shall represent and lead

<b>Position</b>	<b>Job Description</b>
	<p>coordination between government interagency partners, consultants and other project stakeholders. The main duties of the PIU-PM are to represent the Chief Minister's Office and direct and coordinate all implementation activities as outlined in bi-annual work plans and consultant TORs and procurement of works and goods. The PIU-PM shall represent the project at all high-level meetings and act as the project's focal point in the National Project Steering Committee and shall report directly to the PMU-PD and the Minister for Planning, Office of the Chief Minister.</p>
<b>Deputy Project Manager</b>	<p>The Deputy Project Manager (PIU-DPM) will assist the PIU-PM direct and coordinate all PIU activities as outlined in annual work plans and consultant TORs. Tasks include: (i) assist the PIU-PM to coordinate with interagency partners and other stakeholders to implement project activities as per the annual work plans; (ii) assist in approving all financial transactions originating from the PIU's sub project account within the limits of delegated authority defined by the PMU's disbursement policies; (iii) assist the PIU-PM to act as the focal point for all correspondence between the PMU and the PIU; (iv) supervise consultants and implementing partners and all civil works and procurement of goods; (v) work with the PMU and project beneficiaries to undertake annual project activity planning and review; and (vi) complete social safeguards screening and checklist in accordance with the ADB SPS requirements. PIU-DPM will report to PIU-PM.</p>
<b>Accountant</b>	<p>The PIU Accounting Officer (PIUA) will be responsible for the day-to-day operation of the PIU financial management system. Working in collaboration with the PMU's Financial Specialist (PMU-FS), the PIUA will: (i) assist the PMU-FS create detailed annual expenditure budgets based on annual work plans; (ii) maintain the sub project account in Mon State and financial management system in conformity with ADB requirements ; (iii) provide monthly, quarterly, bi-annual and annual financial statements pertaining to the management of the sub project account; (iv) with approval of the PIU-PM/PIU-DM countersign and process eligible payments originating from the operation of the sub project account; (v) create and maintain the PIU assets register; (vi) calculate and verify per-diems and eligible expenditures associated with the delivery of training courses, programs and events approved under contract agreements and bi-annual work plans; (vii) ensure that the sub project account has ample funds to cover PIU operation costs and all other costs associated with PIU implementation partner activities; (viii) participate and provide input into the project's bi-annual work plans. The PIUA will report to the PIU-DM.</p>
<b>Project Coordinators (2 positions)</b>	<p>The Project Coordinators will assume responsibility for activities in the four townships. Tasks include: (i) coordination of project activities in target areas; (ii) act as the focal point within the PIU for all matters related to implementation partner support, including logistics, transportation and venues where training workshops and events are delivered; (iii) act as a link between the PIU (and its consultants/trainers) and target beneficiaries, community organizations, local authorities and development partners to ensure clear communications between various stakeholders; and (iv) monitor and respond to communications between the PIU and all other project stakeholders on implementation of activities at the township levels. Document, record and file all PIU related documents/ matters. The Project Coordinators will report to PIU-DPM.</p>
<b>Interagency Member: Trade Promotions Department (TPD), Department of Commerce</b>	<p>Ministry of Commerce is the Chair of the Rural Small Industry Development Sub-Committee. Through the Sub-Committee and in collaboration with the Rural Development Bank, the TPD supports credit provision to small food processing and handicrafts producers. The TPD includes a commodity testing and quality control center which provides technical assistance and training related to quality control of agricultural products and food processing. TPD also supports market access for SME's through facilitating participation at national and international trade fairs. In addition, TPD through its 16 offices in regions and states undertakes surveys and</p>

Position	Job Description
	collects data on SMEs. The Trade Promotions Department will support: (i) facilitation of credit access for project producers/ beneficiaries; (ii) the provision of technical advice and training to project beneficiaries on quality standards on food processing; and (iii) market access for producers through facilitating their participation in trade fairs. In addition, TPD will also support collaboration with Ministry of Cooperatives and the Department of Social Welfare to provide training on handicrafts, food processing and business development/management to project producers. Detailed collaboration and implementation support arrangements will be finalized during the project inception period.
<b>Interagency Member: Department of Cooperatives</b>	Department of Cooperatives, through its SME department will collaborate with the project to provide training on handicrafts and food processing to project supported producers. In addition, the SME department will also support the: (i) registration of producers, and (ii) raising awareness about good business management. The department will also collaborate with local credit providers to support affordable microfinance. In addition, through its Cooperative Department, producers will be provided business development/management and basic finance training. Detailed collaboration and implementation support arrangements will be finalized during the project inception period.
<b>Interagency Member: General Administration Department (GAD)</b>	Support PIU to coordinate with all government interagency partners, CSOs, and other stakeholders for the smooth implementation of the project. Detailed collaboration and implementation support arrangements will be finalized during the project inception period.
<b>Interagency Member: Department of Agriculture</b>	Provide advice and extension services to producers to improve the quality of input materials through pre- and post-harvest training, including raw materials for handicrafts and processed foods. In addition, the department will support dissemination of best practice on national food safety procedures. Detailed collaboration and implementation support arrangements will be finalized during the project inception period.
<b>Interagency Member: Department of Social Welfare (DSW)</b>	Support the PIU to provide basic business development training to producers. In addition, DSW foster collaboration with development partners to provide training on life skills, safe migration and prevention of trafficking. Detailed collaboration and implementation support arrangements will be finalized during the project inception period.
<b>Interagency Member: Ministry of Labor</b>	Collaborate with PIU, through its Migrant Resource Centre to provide information and training on safe migration and life skills that would cover the risk of HIV/AIDS and trafficking.

ADB = Asian Development Bank, DSW = Department of Social Welfare, MOHT = Ministry of Hotels and Tourism, PMU = project management unit, PIU = project implementation unit, SME = small and medium-sized enterprise ToR = Terms of Reference.

## B. Key Persons Involved in Implementation

### Executing Agency

MOHT

U Than Win

Director, Directorate of Hotels and Tourism

Telephone number: +95 67406081

Email address: mhts.dgmpin@gmail.com

Office Address: Office No (33), Ministry of Hotels and Tourism  
Nay Pyi Taw

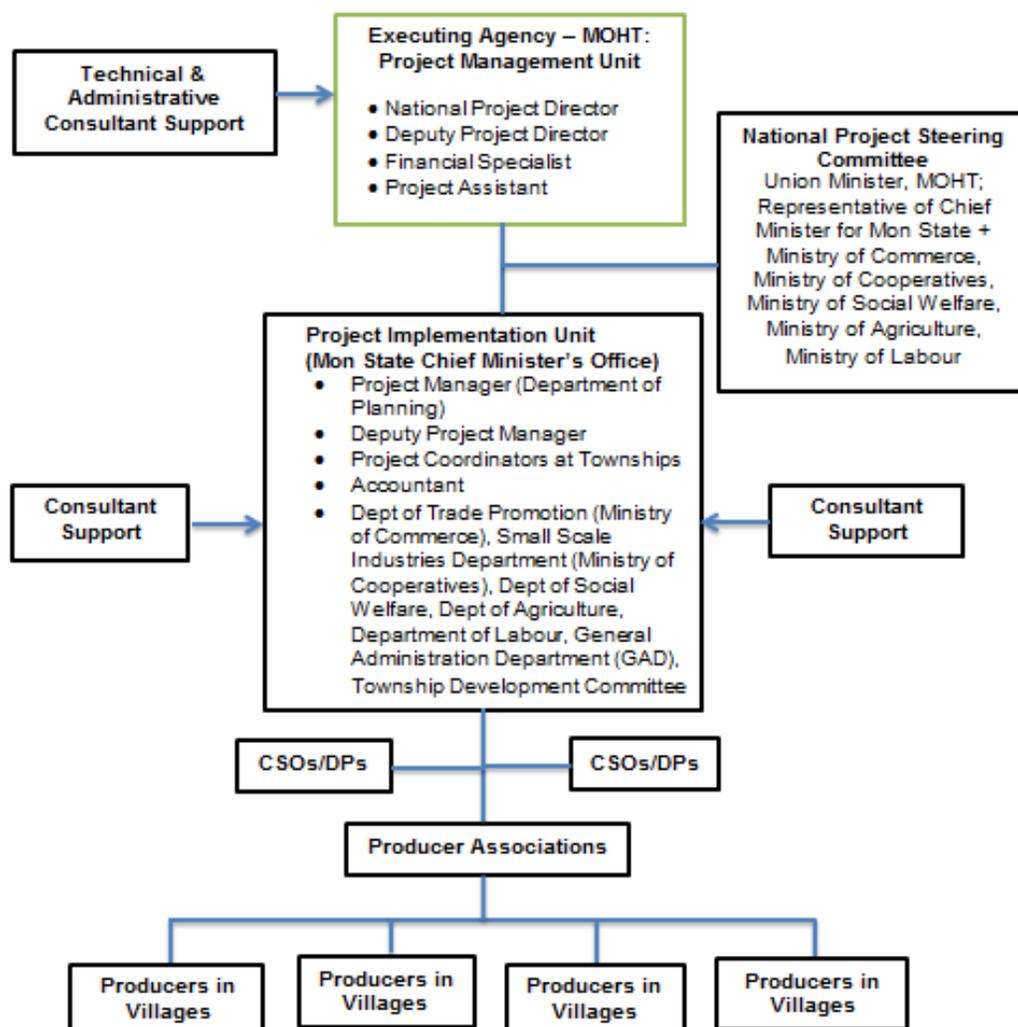
**ADB**

Country Director

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 Metro Manila, Philippines

**C. Project Organization Structure****Figure 1: Project Organization Structure**

#### IV. COSTS AND FINANCING

29. The total project cost is estimated at \$3,452,000 equivalent, of which \$3,000,000 will be financed on a grant basis from the Japan Fund for Poverty Reduction. The remaining \$452,000 equivalent will be provided by the Government and project recipients as in kind contributions (e.g, land, office space, counterpart salaries, and time inputs of project recipients). Table 5 presents the tentative financing plan. Detailed cost estimates are in Appendix 11.

**Table 5: Tentative Financing Plan (\$ Million)**

Financiers	Total	Percent
Asian Development Bank (JFPR)	3.000	86.9
The Government	0.440	12.7
Communities	0.012	0.4
<b>Total</b>	<b>3.452</b>	<b>100.0</b>

Source: Asian Development Bank estimates.

**Table 5-A: Project Investment Plan (\$ Million)**

Item	Amount <sup>a</sup>	Percent
<b>A. Base Cost<sup>b</sup></b>		
1. Skills and management capacity of micro and small enterprises and their employees developed	0.389	11.3
2. Access to business services, credit and commercial networks strengthened	0.269	7.8
3. Infrastructure to support access to markets and processing facilities improved	1.084	31.4
4. Capacity of EA, IA and key stakeholders enhanced	1.202	34.9
<b>Subtotal (A)</b>	<b>2.948</b>	<b>85.4</b>
<b>B. Contingencies<sup>c</sup></b>	<b>0.504</b>	<b>14.6</b>
<b>Total (A+B)</b>	<b>3.452</b>	<b>100.0</b>

<sup>a</sup> In April 2015 prices

<sup>b</sup> Base costs include taxes and duties of \$0.302 million to be financed by the JFPR Grant and the Government for their specific expenditures. The taxes and duties (i) are within the reasonable threshold identified during interim country partnership strategy preparation, (ii) do not represent an excessive share of the project cost, (iii) apply only to ADB-financed expenditures, and (iv) are relevant to the success of the project.

<sup>c</sup> Physical contingencies computed at 6% for civil works; and 6% for field research and development, training, surveys, and studies. Price contingencies computed at average about 1.2% on foreign exchange costs and 6% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

Source: ADB and the government estimates.

## A. Detailed Cost Estimates by Expenditure Category

Table 6: Detailed Cost Estimates by Expenditure Category

Items	\$ Million	Kyat. Million	% Total
1 Civil Works	0.918	943	26.58
- ADB (JFPR)	0.648	666	18.76
- The Government	0.270	278	7.82
2 Equipment and Supplies	0.233	240	6.75
3 Consulting Services	1.280	1,316	37.09
4 Trainings, Workshops and Seminar:	0.253	260	7.33
5 Grant Management	0.126	130	3.66
- ADB (JFPR)	0.036	37	1.04
- The Government	0.086	89	2.50
-Communities	0.004	4	0.12
6 Other inputs	0.138	142	3.99
- ADB (JFPR)	0.100	103	2.91
- The Government	0.031	32	0.90
-Communities	0.006	6	0.17
<b>Total Base Costs</b>	<b>2.948</b>	<b>3,030</b>	<b>85.40</b>
<b>Contingencies</b>	<b>0.504</b>	<b>518</b>	<b>14.60</b>
a. Physical	0.161	166	
b. Price	0.343	353	
<b>Total Project Cost</b>	<b>3.452</b>	<b>3,549</b>	<b>100.00</b>

Notes: Other inputs include: PMU/PIU office and utilities, websites development, and language translation  
Source: Government and ADB Staff Estimates.

## B. Allocation and Withdrawal of Grant Proceeds (\$ Million)

Table 7: Allocation and Withdrawal of Grant Proceeds

No.	Item	Total Amount Allocated (\$)	ADB (JFPR) Financing
			Percentage and Basis for Withdrawal from the Grant Account
1	Civil Works	0.648	100 % of total expenditure claimed
2	Equipment	0.233	100 % of total expenditure claimed
3	Training, Workshop and Seminars	0.253	100 % of total expenditure claimed
4	Consulting Services	1.280	100 % of total expenditure claimed
5	Grant Management	0.036	100 % of total expenditure claimed
6	Other Inputs	0.100	100 % of total expenditure claimed
7.	Unallocated	0.450	
	<b>Total</b>	<b>3.000</b>	

Source: ADB estimates.

### C. Detailed Cost Estimates by Financier<sup>14</sup> (\$ Million)

**Table 8: Detailed Cost Estimates by Financier (\$ Million)**

Items	ADB	% Government	% Communities	%	Total	% Duties/Taxes
1 Civil Works						
- ADB (JFPR)	0.648	100	0.000	0	-	0
- The Government	-	0	0.270	100	-	0
2 Equipment and Supplies	0.233	100	0.000	0	-	0
3 Consulting Services	1.280	100	0.000	0	-	0
4 Trainings, Workshops and Seminar:	0.253	100	0.000	0	-	0
5 Grant Management						
- ADB (JFPR)	0.036	100	0.000	0	-	0
- The Government	-	0	0.086	100	-	0
-Communities	-	0	0.000	0	0.004	100
6 Other inputs						
- ADB (JFPR)	0.100	100	0.000	0	-	0
- The Government	-	0	0.031	100	-	0
-Communities	-	0	0.000	0	0.006	100
<b>Total Base Costs</b>	<b>2.550</b>	<b>87</b>	<b>0.387</b>	<b>13</b>	<b>0.010</b>	<b>0</b>
<b>Contingencies</b>	<b>0.450</b>	<b>89</b>	<b>0.052</b>	<b>10</b>	<b>0.002</b>	<b>11</b>
a. Physical	0.144		0.017		0.001	
b. Price	0.306		0.035		0.002	
<b>Total Project Cost</b>	<b>3.000</b>	<b>87</b>	<b>0.492</b>	<b>14</b>	<b>0.015</b>	<b>0</b>

Source: Government and ADB Staff Estimates.

### D. Detailed Cost Estimates by Outputs

**Table 9: Detailed Cost Estimates by Outputs**

Items	1. Skills and management capacity of MSEs and their employees developed	%	2. Access to business services, credit and commercial networks strengthened	%	3. Infrastructure to support access to markets and processing facilities improved	%	4. Capacity of EA, IA and key stakeholders enhanced	%	Total	%
1 Civil Works	-	-	-	-	0.918	100	0.000	0	0.918	27
- ADB (JFPR)	-	-	-	-	0.648	100	0.000	0	0.648	19
- The Government	-	-	-	-	0.270	0	0.000	0	0.270	8
2 Equipment and Supplies	0.018	8	0.025	11	0.098	3	0.093	5	0.233	7
3 Consulting Services	0.226	18	0.112	9	0.058	2	0.884	51	1.280	37
4 Trainings, Workshops and Seminar:	0.124	49	0.092	36	0.000	0	0.037	2	0.253	7
5 Grant Management	-	-	-	-	0.000	0	0.126	100	0.126	4
- ADB (JFPR)	-	-	-	-	0.000	0	0.036	100	0.036	1
- The Government	-	-	-	-	0.000	0	0.086	100	0.086	2
-Communities	-	-	-	-	0.000	0	0.004	100	0.004	0
6 Other inputs	0.021	16	0.040	29	0.011	0	0.065	47	0.138	4
- ADB (JFPR)	0.015	15	0.040	40	0.011	0	0.034	34	0.100	3
- The Government	-	-	-	-	0.000	0	0.031	100	0.031	1
-Communities	0.006	100	-	-	0.000	0	0.000	0	0.006	0
<b>Total Base Costs</b>	<b>0.389</b>	<b>13</b>	<b>0.269</b>	<b>9</b>	<b>1.084</b>	<b>37</b>	<b>1.205</b>	<b>41</b>	<b>2.948</b>	<b>85</b>
<b>Contingencies</b>	<b>0.07</b>	<b>13</b>	<b>0.05</b>	<b>9</b>	<b>0.185</b>	<b>37</b>	<b>0.206</b>	<b>41</b>	<b>0.504</b>	<b>15</b>
a. Physical	0.02		0.01		0.059		0.066		0.161	
b. Price	0.05		0.03		0.126		0.140		0.343	
<b>Total Project Cost</b>	<b>0.456</b>	<b>26</b>	<b>0.315</b>	<b>18</b>	<b>1.270</b>	<b>37</b>	<b>1.412</b>	<b>82</b>	<b>3.452</b>	<b>100</b>

Source: Government and ADB Staff Estimates.

<sup>14</sup> including in-kind land contribution by the Government as the Detailed Cost Estimates – PAM – Appendix 9

## E. Detailed Cost Estimates by Year

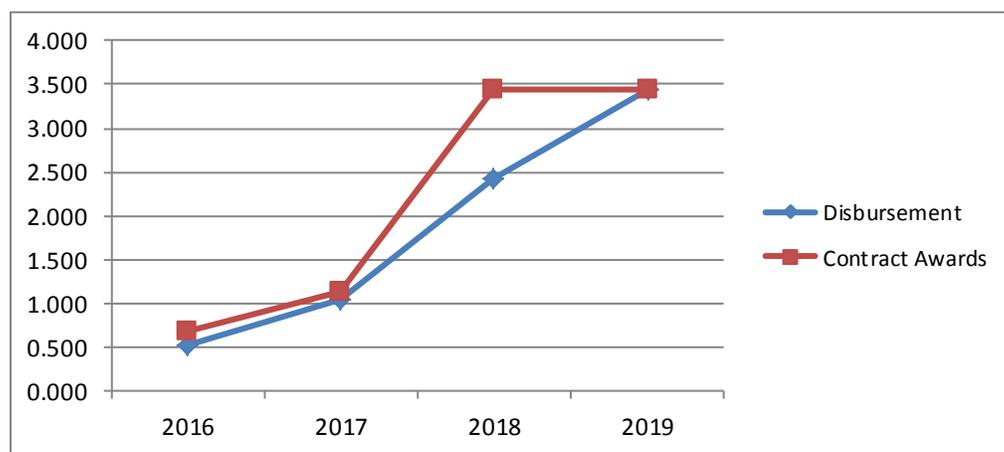
**Table 10: Detailed Cost Estimates by Year (\$ million)**

Items	2016	2017	2018	2019	Total
<b>1 Civil Works</b>	0.000	0.000	0.459	0.459	0.918
- ADB (JFPR)	0.000	0.000	0.324	0.324	0.648
- The Government	0.000	0.000	0.135	0.135	0.270
<b>2 Equipment and Supplies</b>	0.000	0.000	0.006	0.227	0.233
<b>3 Consulting Services</b>	0.320	0.320	0.606	0.035	1.281
<b>4 Trainings, Workshops and Seminars</b>	0.056	0.059	0.038	0.101	0.253
<b>5 Grant Management</b>	0.032	0.032	0.032	0.032	0.126
- ADB (JFPR)	0.009	0.009	0.009	0.009	0.036
- The Government	0.022	0.022	0.022	0.022	0.086
-Communities	0.001	0.001	0.001	0.001	0.004
<b>6 Other inputs</b>	0.034	0.034	0.034	0.034	0.138
- ADB (JFPR)	0.025	0.025	0.025	0.025	0.100
- The Government	0.008	0.008	0.008	0.008	0.031
-Communities	0.002	0.002	0.002	0.002	0.006
<b>Total Base Costs</b>	<b>0.442</b>	<b>0.445</b>	<b>1.174</b>	<b>0.887</b>	<b>2.948</b>
<b>Contingencies</b>	<b>0.075</b>	<b>0.076</b>	<b>0.201</b>	<b>0.152</b>	<b>0.504</b>
a. Physical	0.024	0.024	0.064	0.048	0.161
b. Price	0.051	0.052	0.137	0.103	0.343
<b>Total Project Cost</b>	<b>0.517</b>	<b>0.521</b>	<b>1.375</b>	<b>1.039</b>	<b>3.452</b>

Source: Government and ADB Staff Estimates.

## F. Contract and Disbursement S-curve

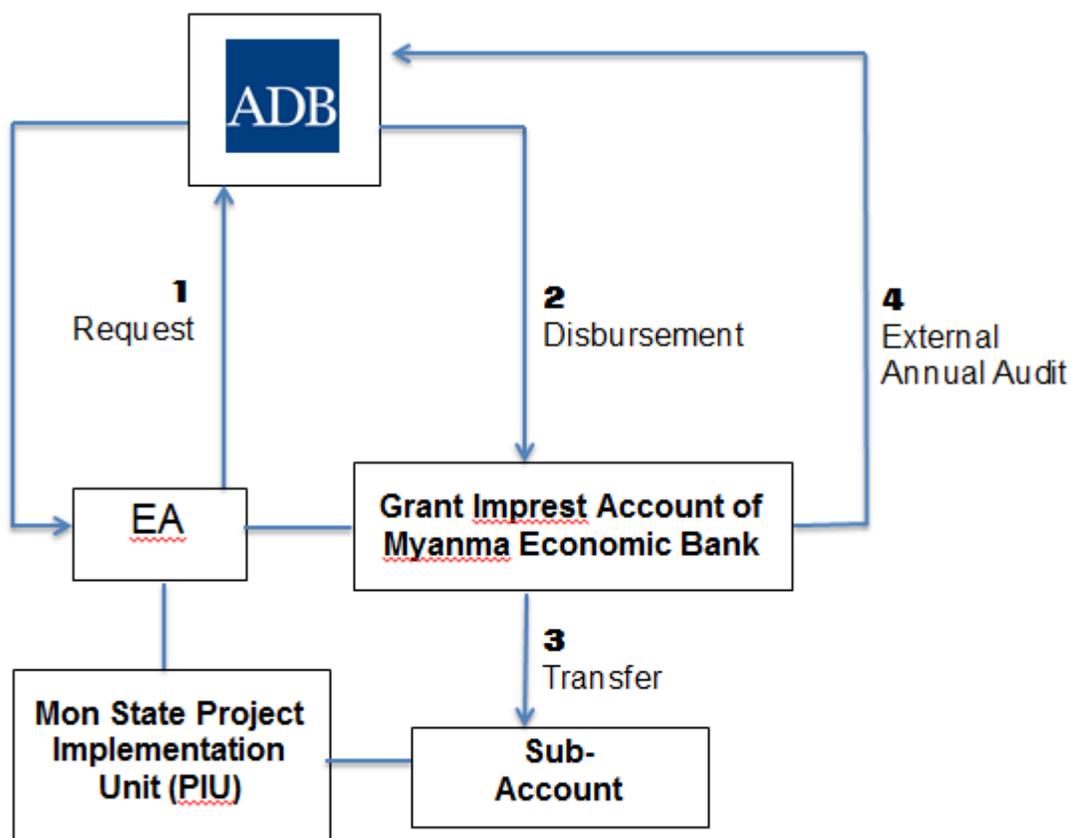
**Figure 2: Contract and Disbursement S-curve (\$ million)**



	2016	2017	2018	2019
Contract Awards	0.672	1.141	3.452	3.452
Disbursement	0.517	1.038	2.413	3.452

## G. Fund Flow Diagram

Figure 3. Project Fund Flow Arrangements



## V. FINANCIAL MANAGEMENT

## A. Financial Management Assessment

30. This Financial Management Assessment (FMA) has been prepared in accordance with ADB's Guidelines for the *Financial Management and Analysis of Projects*<sup>15</sup> (the Guidelines) and the publication *Financial Due Diligence: A Methodology Note*.<sup>16</sup> This FMA incorporates the Financial Management Internal Control and Risk Management Assessment ("FMICRA") required by the Guidelines. The Financial Management Assessment was informed by the Governance and Anti-Corruption Action Plan II PFM Assessments at the country and sector level. A FMA Questionnaire was prepared prior to completing the FMA.

31. The purpose of the assessment was to determine the robustness of the accounting, financial controls and internal audit arrangements, and the capability of the Executing Agency (EA) and the Implementing Agency (IA) to meet fiduciary requirements. The FMA considers MOHT appropriate in its role as the EA; and the Office of the Chief Minister for Mon State will be appropriate as the IA for the Project.

<sup>15</sup> *Financial Management and Analysis of Projects*. ADB. 2005. Refer page 14 of Knowledge Management Addendum for more information on the Financial Management Assessment.

<sup>16</sup> *Financial Due Diligence A Methodology Note*. ADB. 2009.

32. The assessment reveals that both the EA and IA have some experience to deal with donor funded projects, however, these experiences are limited to technical assistance projects. Although they have adequate internal control systems and financial reporting arrangements for their regular budget and expenditure management, they will need additional capacity development support particularly on financial management, and procurement to properly implement the Project to comply with ADB procedures. The summary FMICRA is reproduced below. (For further details please also refer to detailed FMA- risk and internal control section).

<b>Risk</b>	<b>Risk Assessment</b>	<b>Comments</b>
<b>Inherent Risk</b>		
Country Specific	High	PFM system is under-regulated and largely practice-based, weak management skills and capacity budgetary and fiscal information is highly limited and Internal control environment is relatively weak
Entity Specific	Substantial	Lack of institutional and staff capacity to implement and monitor donor-funded projects
Project Specific	Moderate	Fiduciary risks, particularly for contracting for national competitive bidding on equipment and civil works related investments. Potential delays in implementation since staff of PMU and PIU have no experience with ADB financial management and reporting requirements. Sustainability and O&M of infrastructure assets.
Overall Inherent Risk	<b>Moderate</b>	
<b>Control Risk</b>		
Implementing Entity	Substantial	Capacity on procurement, financial management and reporting need to be strengthened
Funds Flow	Substantial	
Staffing	Substantial	Training is required to deal with ADB standardized financial management
Accounting Policies and Procedures	Moderate	The Government Accounting System being used needs upgrading to reflect international best practice
Internal Audit	High	Weak internal audit practices
External Audit	Moderate	OAG as the external audit has no experience in auditing ADB funded projects
Reporting and Monitoring	Substantial	Potential poor quality of the project financial reports
Overall Control Risk	<b>Substantial</b>	

33. The FMA concludes that staff of MOHT, as the EA, and the Office of the Chief Minister of Mon State as the IA of the Project have adequate education background and experience in managing fund flow and other aspects of the financial management of the government regular budget. However, significant improvement is required to improve the skills and capacity for the EA and IA to deal with fund flow management, financial analysis, accounting, reporting and auditing of the Project since they have no experience with ADB financial management policies

and implementation procedures. Risk management actions include measures to support procurement oversight and strengthen financial management skills have been prepared to avoid potential problems. These include: (i) the application of standard ADB bidding procedures; (ii) capacity building and training assistance for financial management and procurement under output 4; (iii) establishment of suitable accounting systems; and (iv) embedding of long-term consultants in the PMU and PIU to provide on the job training for project staff and counterparts (v) The infrastructure assets will be managed through a Public, Private and Community Partnership model (PPCP). Management, operation and maintenance plans with sustainable finance mechanisms will be prepared for both the facilities. Entities and staff tasked with O&M will be provided with capacity building and training Further, compliance with ADB's financial management and external audit requirements will be monitored by review missions and regular project support. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MOHT. The project will also monitor prompt reporting to stakeholders including the quarterly and annual (including physical and financial) progress reports; compliance with grant covenants; and backups of all accounting systems and appropriate security measures over backed-up data to be put in place. The implementation of the risk management measures identified above will ensure that financial management arrangements are adequate. An assessment of the executing and implementing agencies' capacity to undertake procurement and financial management envisaged under the project – including imprest fund procedure has been undertaken and concluded that the proposed implementing arrangement is appropriate

34. The conclusion is based on the additional assessment prepared during the project's fact finding mission, conducted in April 2015. Preparation activities included reviewing documents, interviewing counterparts and consultants, and discussing issues with stakeholders. Mitigating actions were identified together with counterparts.

## **B. Disbursement**

35. The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time), and detailed arrangements agreed upon between the Government and ADB.<sup>17</sup>

36. MOHT will establish and administer a separate imprest account in its name. The Office of the Chief Minister of Mon State as the Implementing Agency will open a sub-account in Mon State to facilitate funds transfer/payments. The total outstanding advance to the imprest account should not exceed the forthcoming 6 months' planned expenditure, and the currency of the account will be in US dollars. The MOHT requests to ADB, for the initial and additional advance(s) should be based on planned expenditures for the forthcoming 6 months of project implementation. Reimbursements and liquidation of advances to the imprest account will be based on full documentation for eligible expenditures. The project sub-account at the state level shall be operated by the PIU with an amount equal to 6 months' planned expenditures. The account will require two signatories, one of whom shall be the authorized representative of MOHT. All payments of \$50,000 and above will be paid directly from ADB.

37. Both EA and the IAs will be supported by consultants to ensure that they will sufficiently manage the imprest and sub-accounts for proper disbursement arrangements of fund flow through the accounts. The imprest account and sub-account are to be used exclusively for

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<sup>17</sup> Available at: [http://www.adb.org/Documents/Handbooks/Loan\\_Disbursement/loan-disbursement-final.pdf](http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf)

ADB's share of eligible expenditures. The PMU is accountable and responsible for proper use of advances to the imprest account, including advances to the sub-account.

38. Assisted by consultants, PMU will also be responsible for preparing the annual contract awards and disbursement projections. It will also be responsible in (i) requesting budgetary allocations for counterpart funds, (ii) preparation of withdrawal applications, and (iii) sending the withdrawal applications to ADB.

39. Before the submission of the first withdrawal application, the EA should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Government, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$50,000 equivalent. Individual payments below this amount should be paid (i) by the EA/IA and subsequently claimed to ADB through reimbursement; and/or (ii) from the imprest/sub-account, unless otherwise accepted by ADB.

41. PMU will provide guidance, especially financial management and accounting skills to the staff to ensure their skills are sufficient for the project needs. The effectiveness and efficiency of the disbursement procedures will be reassessed during ADB's project review missions and actions will be taken to simplify or streamline the processes if deemed appropriate.

### C. Accounting

42. The MOHT will maintain, or cause to be maintained, separate books and records by funding source for all expenditures incurred on the project. The [executing agency] will prepare consolidated project financial statements in accordance with the government's accounting laws and regulations which are consistent with international accounting principles and practices.

43. The PMU and PIU staff should have the necessary skills to prepare financial reports and claims for reimbursement. As necessary, PMU will provide further guidance on project financial and administrative procedures to refresh staff skills and knowledge in these areas. For administering the project, the following responsibilities have been performed by different units or persons: (i) authorization to execute a transaction; (ii) recording the transaction; and (iii) responsibility for custody of the asset involved in the transaction. Bank reconciliations have been prepared by a different person from that who approved the payment. The PMU and PIU will develop an accounting system that allows the proper recording of project financial transactions including the allocation and approval of expenditures in accordance with the respective components, expenditures/disbursement categories and source of funds.

44. **Accounting Systems.** The PMU and PIU will develop a sound and reliable accounting system to record all financial transactions of the funding sources for the expenditures of the project. The recording and reporting of project expenditures should be consistent with the chart of accounts and budget classification of the Government.

### D. Auditing and Public Disclosure

45. The MOHT will cause the detailed consolidated project financial statements to be audited in accordance with International Standards on Auditing and with the Government's audit regulations, by an independent auditor acceptable to ADB. The audited project financial statements will be submitted in the English language to ADB within six months of the end of the fiscal year by the MoHT.

46. The annual audit report will include an audit management letter and audit opinions which cover (i) whether the project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (ii) whether loan and grant proceeds were used only for the purposes of the project or not; (iii) the level of compliance for each financial covenant contained in the legal agreements for the project; (iv) compliance with the imprest fund procedure, in accordance with ADB's Loan Disbursement Handbook (2015, as amended from time to time) and the project documents.

47. Compliance with financial reporting and auditing requirements will be monitored by review missions and during normal program supervision, and followed up regularly with all concerned, including the external auditor.

48. The Government of Myanmar, the EA and the IA have been made aware of ADB's ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited project financial statements.<sup>18</sup> ADB reserves the right to require a change in the auditor (in a manner consistent with the constitution of the Government), 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.

49. Public disclosure of the project financial statements, including the audit report on the project financial statements, will be guided by ADB's Public Communications Policy (2011).<sup>19</sup> After review, ADB will disclose the project financial statements for the project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website. The Audit Management Letter and the Audited Financial Statements will not be disclosed.

## VI. PROCUREMENT AND CONSULTING SERVICES

### A. Advance Actions

50. The project will conduct advance actions for recruitment of individual consultants, including the international project start-up specialist. The international start-up specialist will assist the PMU to finalize the detailed ToRs for recruiting the firm (Technical and Project Management Consulting Support Package, TPMCS), including issuing invitation for Expressions of Interests, short-listing, issuance of the request for proposals and evaluation of proposals as well as hire the other individual consultants. ADB support for advance actions does not commit

<sup>18</sup> ADB Policy on delayed submission of audited project financial statements:

- When audited project financial statements are not received by the due date, ADB will write to the executing agency advising that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.
- When audited project financial statements have not been received within 6 months after the due date, ADB will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. ADB will (i) inform the executing agency of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.
- When audited project financial statements have not been received within 12 months after the due date, ADB may suspend the loan.

<sup>19</sup> Available from <http://www.adb.org/documents/pcp-2011?ref=site/disclosure/publications>

ADB to approve the grant project or to finance and costs of recruitment. Retroactive financing will not be used.

## B. Procurement of Goods, Works and Consulting Services

51. The procurement of goods and works, and recruitment of consulting services will be carried out in accordance with ADB's *Procurement Guidelines* (2015, as amended from time to time)<sup>20</sup> and ADB's *Guidelines on the Use of Consultants* (March 2013, and as amended from time to time).<sup>21</sup> ADB conducted a Procurement Capacity Assessment of the MOHT, as is mandated by ADB rules and procedures. Based on the assessment, the thresholds for procurement of works and goods as well as consulting services have been agreed upon with the Government. Likewise, ADB's prior review is set forth in the procurement plan.

## C. Procurement Plan

**Table 11: Basic Data**

<b>Project Name:</b> Economic Empowerment of the Poor and Women in the East-West Economic Corridor	
<b>Project Number:</b> 48322-001	<b>Approval Number:</b> JFPR xxx-MYA
<b>Country:</b> Myanmar	<b>Executing Agency:</b> Ministry of Hotels and Tourism
<b>Project Procurement Classification:</b> B	<b>Implementing Agency:</b> The Office of the Chief Minister for Mon State
<b>Procurement Risk:</b> Moderate	
<b>Project Financing Amount:</b> \$ 3,452,000 <b>Cofinancing (ADB Administered):</b> \$ 3,000,000 <b>Non-ADB Financing:</b> \$,452,000	<b>Project Closing Date:</b> 31 December 2019
<b>Date of First Procurement Plan:</b> 7 April 2015	<b>Date of this Procurement Plan:</b> 7 April 2015

## Methods, Thresholds, Review and 18-Month Procurement Plan

52. **Procurement and Consulting Methods and Thresholds.** Except as ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works:

**Table 12: Procurement of Goods and Works - Thresholds**

Procurement of Goods and Works		
Method	Threshold	Comments
International Competitive Bidding (ICB) for Works	\$3,000,000	NA
International Competitive Bidding for Goods	\$1,000,000	NA
National Competitive Bidding (NCB) for Works	Beneath that stated for ICB, Works	Applicable
National Competitive Bidding for Goods	Beneath that stated for ICB, Goods	NA
Shopping for Works	Below \$100,000	Applicable
Shopping for Goods	Below \$100,000	Applicable
Shopping for Goods & Services SOE	Below 10,000	Applicable

**Table 13: Consulting Services**

Consulting Services	
Method	Comments

<sup>20</sup> Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>

<sup>21</sup> Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>

Quality and Cost Based Selection (QCBS/ QBS) <sup>22</sup>	Applicable
Quality Based Selection	If NGO is shortlisted
Consultants' Qualifications Selection	Applicable
Least-Cost Selection	NA
Fixed Budget Selection	NA
Single Source Selection (SSS)	Applicable
Individual Consultant Selection (ICS)	Applicable
Resource Persons (10 days or under)	Applicable
Indefinite Delivery	Applicable

53. **Goods and Works Contracts Estimated to Cost \$1 Million or More.** There are no goods and works contracts for which the procurement activities under this category are either ongoing or expected to commence within the next 18 months.

54. **Consulting Services Contracts Estimated to Cost \$100,000 or More.** The following table lists consulting services contracts for which the recruitment activity is either ongoing or expected to commence within the next 18 months.

**Table 14: Consulting Services**

Package Number	General Description	Estimated Value (\$)	Recruitment Method	Review (Prior / Post)	Advertisement Date (quarter/year)	Type of Proposal <sup>8</sup>	Comments
IC - 01	International Team Leader	\$320,000	ICS	Prior	Q4/2015	Bio-data	Individual
IC - 02	International Business Development Specialist	\$112,000	ICS	Prior	Q4/2015	Bio-data	Individual
F - 01	Technical and Project Management Support Package	\$516,250	QCBS/QBS <sup>23</sup>	Prior	Q1/2016	STP	Firm and/or NGO consortium 90:10

55. **Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000 (Smaller Value Contracts).** The following table groups smaller-value goods, works and consulting services contracts for which the activity is either ongoing or expected to commence within the next 18 months.

**Table 15**

Goods and Works								
Package Number <sup>5</sup>	General Description	Estimated Value (\$)	Number of Contracts	Procurement Method	Review [Prior/Post (Sample)]	Bidding Procedure <sup>6</sup>	Advertisement Date (quarter/year)	Comments <sup>7</sup>
CW – 01	Market construction	437,500	1	NCB	Prior	1S/1E	Q4/2016	Small works
CW – 02	Processing center	210,000	1	NCB	Post	1S/1E	Q4/2016	Small works

Consulting Services								
Package Number	General Description	Estimated Value (\$)	Number of Contracts	Recruitment Method	Review (Prior/ Post)	Advertisement Date (quarter/year)	Type of Proposal <sup>8</sup>	Comments <sup>9</sup>

<sup>22</sup> QBS selection in case NGOs are invited to submit a proposal.

<sup>23</sup> QBS will used in case NGOs are invited to submit a proposal.

IC – 03	International Start-up Specialist	28,875	1	ICS	Prior	Q4/2015	Bio-data	Individual
IC – 04	PMU Accountant	126,000	1	ICS	Prior	Q4/2015	Bio-data	Individual
IC – 05	PIU Accountant	80,000	1	ICS	Prior	Q4/2015	Bio-data	Individual
	External Auditor	40,000	1	SSS	Prior	Q2/2016	Office of Auditor General	For out of pocket expenses only

### Indicative List of Packages Required Under the Project

56. The following table provides an indicative list of goods, works and consulting services contracts over the life of the project, other than those mentioned in previous sections (i.e., those expected beyond the current period).

**Table 16: Indicative List of Goods, Works and Consulting Services Contracts**

Goods and Works							
Package Number <sup>5</sup>	General Description	Estimated Value (\$) (cumulative)	Estimated Number of Contracts	Procurement Method	Review [Prior / Post/Post (Sample)]	Bidding Procedure <sup>6</sup>	Comments <sup>7</sup>
G – 01	Motor vehicle and motorcycle	39,000	1	Shopping	Prior	Quotation	PMU
G – 02	Equipment and fit out for market at Mawlamyine.	25,000	1	Shopping	Post	Quotation	PMU
G – 03	Equipment and fit out for 1 multi-product processing center	45,000	1	Shopping	Post	Quotation	PMU
G – 04	Processing and production equipment for home based producers & retailers	28,000	1	Shopping	Post	Quotation	PMU
G – 05	Website development and maintenance	9,900	1	Shopping	Post	Quotation	PMU
G – 06	Packaging, labeling & branding materials for producer/retailer products	5,000	1	Shopping	Post	Quotation	PMU
G – 07	Promotional brochures, posters and other printed and visual media	20,000	1	Shopping	Post	Quotation	PMU
OC - 02	Graphic Design Agency for Brand Guidelines & Usage	20,000	1	Shopping	Post	Quotation	

### List of Awarded, On-going, and Completed Contracts

57. There are no awarded and on-going contracts, and completed contracts.

## **Non-ADB Financing**

58. There will be no goods, works and consulting services contracts over the life of the project, financed by non-ADB (JFPR) sources.

## **National Competitive Bidding**

59. **General.** The procedures to be followed for national competitive bidding shall be those set forth in ADB's standard bidding documents, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of ADB's Procurement Guidelines (2015, as amended from time to time).

60. **Application.** Contract packages subject to national competitive bidding procedures will be those identified as such in the project procurement plan. Any changes to the mode of procurement from those provided in the procurement plan shall be made through updating of the procurement plan, and only with prior approval of ADB.

61. **Eligibility.** Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

62. **Advertising.** Bidding of national competitive bidding contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the procurement plan.

63. **Anticorruption.** Definitions of corrupt, fraudulent, collusive, and coercive practices shall reflect the latest ADB Board-approved Anticorruption Policy definitions of these terms and related additional provisions. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project. 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/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. The Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question. ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, ADB-financed contract.

64. **Rejection of all Bids and Rebidding.** Bids shall not be rejected and new bids solicited without ADB's prior concurrence.

65. **Bidding Documents.** ADB's standard bidding documents will be used.

66. **Member Country Restrictions.** Bidders must be nationals of member countries of ADB; and offered goods, works, and services must be produced in and supplied from member.

## **Terms of Reference of Consultants**

67. The total consulting service requirements are an estimated 217 person-months (37 person-months international and 180 person-months national consultants and include (i) Individual Consultants; and (ii) Technical and Project Management Support (through a firm). External audit will be conducted by the Office of Auditor General (OAG) on lumpsum basis (on annual basis for 4 years).

68. Table 17 shows the summary of consultants' inputs.

**Table 17: Summary of Consultant Inputs**

No	Expertise	Person-Months
<b>International Consultants</b>		<b>37</b>
<b>Individuals</b>		
1	International Start-up Specialist	3
2	International Team Leader	20
3	International Business Development Specialist	7
<b>Firm</b>		
4	International Environment Specialist	2
5	International Social Development Specialist	5
<b>National Consultants</b>		<b>180</b>
<b>Individuals</b>		
6	National PMU Accountant	42
7	National PIU Accountant	40
<b>Firm</b>		
8	National Deputy Team Leader	42
9	National Handicrafts Training Specialist	22
10	National Food Processing Training Specialist	22
11	National Civil Engineer (design and construction supervision)	12
<b>External Auditor</b>		
12	Office of the Auditor General (lumpsum)	

#### **(A) International Individual Consultants**

##### **International Start-Up Specialist (3 person-months intermittent)**

69. The International Start-up Specialist (ISS) will be recruited by the ADB through Individual Consultant Selection (ICS) to assist MOHT recruit the other individual consultants and the Firm. The ISS will produce the detailed advertisement for consulting services, EOI, RFP templates, evaluation and selection matrices and any other task related to the recruitment of the firm for this project. The ISS will also assist the MOHT prepare and evaluate first year bidding documents for the project vehicle and project office equipment, and provide training to the EA/IA and PMU and PIU accountant/ consultant on setting up financial management systems and on ADB procurement and financial management procedures.

70. **Preferred Qualifications and Experience:** A post-graduate degree in project management, international development, finance or other such disciplines is required. At least 7 years' of experience assisting EA-ADB finance and procurement for ADB and/or ODA projects.

##### **International Team Leader (20 person-months intermittent)**

71. The International Team Leader (ITL) will assume primary responsibility for overseeing implementation of the entire project including management and coordination of overall

assessments, strategy development, input into output design, supervision of consultants' delivery of activities and outputs and monitoring. In undertaking the assigned project management tasks, the ITL will coordinate with appropriate PMU/PIU staff and work closely with and be supported by the National Deputy Team Leader (NTL). Specific tasks include:

- (i) Provide on the job management training for counterpart staff and assist them monitor the project's financial accounts, procurement activities, and reporting to ADB and the Government;
- (ii) In coordination with the NTL and in close coordination with the PMU and PIU, develop and monitor rolling annual work plans, budgets, and monitor activity implementation;
- (iii) Draft detailed terms of reference for consulting services and supply of goods;
- (iv) Supervise and coordinate the work of the international and national consultants, and ensure that the consultants' outputs are in accordance with agreed Terms of Reference and project requirements;
- (v) Prepare and regularly review the consultants' personnel schedule to coordinate PMU, PIU and international and national consultants' inputs and respond to changing project circumstances if and when these occur;
- (vi) Supervise the development and implementation of project financial monitoring and reporting activities;
- (vii) Supervise and contribute to the design of training programs for sustainable operations and maintenance of facilities constructed by the project;
- (viii) Oversee and provide inputs into all assessments and studies, including value chain analysis, training needs assessment, market study and baseline, mid-term and end project reviews;
- (ix) Prepare civil works bidding documents and bid evaluation reports;
- (x) Set up a project monitoring framework based on the project design and monitoring framework and guide and coordinate with PMU, PIU, and consultants in monitoring project performance, including implementation of the gender action plan on a bi-annual basis;
- (xi) In cooperation with the NTL take the lead in reviewing, and consolidating all consultant's reporting submissions and preparation and consolidation into integrative high quality reports in accordance with agreed reporting schedules, including quarterly and bi-annual progress reports, to be submitted to ADB on behalf of the EA;
- (xii) Coordinate with development partners including international and local NGOs, social enterprises and community based organizations;
- (xiii) Share lessons learned from similar MSE and rural development projects in the handicrafts, food processing and small scale agricultural sectors;
- (xiv) Participate in semi-annual planning and review meetings;
- (xv) Support the PMU and PIUs with compliance with ADB Grant covenants, assurances, as well as with national and provincial policies and regulations;
- (xvi) Ensure project activities are compliant with ADB and government safeguard policies and complete safeguards screening and checklist in accordance with the ADB SPS requirements;
- (xvii) Draft the management, operation and maintenance plans for the craft and souvenir market and processing facility;
- (xviii) Participate in and assist with the implementation of project activities including community-based training, meetings and exposure trips as reasonably requested; and
- (xix) Undertake other specific technical management inputs where these may be required.

72. **Preferred Qualifications and Experience:** Master's degree business development/management or related field. At least 10 years' experience in managing MSE development projects, in particular, experience in managing community based and women focused enterprise development/ poverty reduction projects that address value chain enhancements, MSME development and market access. An understanding of the political, social and cultural environment in Myanmar would be an advantage. Knowledge of ADB and/or ODA project administration procedures and experience of implementing projects financed by the Japan Fund for Poverty Reduction would be an asset. The ITL should have understanding and skills related to gender and development issues.

73. The ITL will report to the EA's Project Director and will be based in Mawlamyine, with frequent travel to Nay Pyi Taw (NPT).

#### **International Business Development Specialist (7 person-months intermittent)**

74. The International Business Development Specialist (IBDS) will design, undertake and support the (i) value chain assessment, (ii) market research and prepare marketing strategy, (iii) business development services program; (iv) credit and micro-finance program and (v) brand development and implementation. The key tasks for these deliverables are detailed below:

75. **Key tasks for the VCA with support from VCA/ survey team:** The focus of the analysis should be to assess how to maximize employment and income gains for women. The consultant will map the craft and local food supply chain from target villages, including actors involved disaggregated by gender. The study will (a) evaluate the market potential of craft and other local product supply chains; (b) estimate spending patterns of international and Myanmar tourists; (c) assess opportunities to increase benefits to project beneficiaries by developing products and services that respond to market demand; (d) identify the constraints project beneficiaries face in access to opportunities and adding value to their products; (e) identify training needs of project benefits to help them overcome these constraints and provide recommendations to the project's MSE training programs; and (f) provide advice on the development of market linkages.

76. **Key tasks for the market research and strategy:** The market research and strategy will involve a detailed assessment of consumer preferences and demand for locally produced handicrafts and processed foods - specifically targeting national and international tourist markets. From the market assessment, a five-year marketing strategy will be drafted to ensure producers and retailers adequately respond to both consumer preferences and demand. The marketing strategy will provide the necessary guidance for technical training and business development specialist to ensure that specific sub-project designs are driven by proven market demand. The market survey and strategy will include the following tasks:

- (i) Conduct desktop research and interviews to determine exactly where authentic Myanmar souvenirs, including handicrafts and processed foods, fit within the context of souvenirs produced and sold in neighboring GMS countries;
- (ii) Through retailer and wholesaler interviews in Yangon, determine the top 10 selling souvenirs purchased by international and national tourists over the last two years in Yangon and Mon State;
- (iii) Design and conduct tourist surveys to determine consumer preferences and demand in respect to Myanmar souvenirs. Survey will be conducted with tourists visiting Yangon, MLM and Kyaikhto and record the age, gender, nationality,

- occupation and other relevant bio-data to determine preferences and demand for specific segments of the tourist market;
- (iv) Create an inventory of locally produced souvenirs, concentrating on handicrafts and processed foods that meet the purchasing criteria specified by tourists;
  - (v) Using the inventory of locally produced souvenirs, provide an assessment of opportunities for redesigning and creating new designs/ product lines which fit with demand from the tourist market;
  - (vi) Where there are constraints to tailoring products to tourist demand, indicate the nature of these constraints and strategies to meet market demand;
  - (vii) Identify the top 10 souvenir outlets in Yangon, the top selling outlets in Mawlamyine and the top selling outlets in Kyaikhto and describe the competitive advantage and particular characteristics that these outlets have developed to maintain their position as market leaders for the sale of tourist souvenirs; and
  - (viii) Ensure that the five-year marketing plan for locally produced souvenirs provides a step-by-step action plan complete with cost estimates for proposed marketing and promotion activities that will feed into the projects branding strategy for Mon State.

**77. Key tasks for the business development services program:**

- (i) Develop or adapt appropriate modules that include: (a) basic financial literacy; (b) basic accounting; (c) basic debt management; (d) basic, intermediate and advanced business plans which will include financial projections (expense-revenue and net profits, marketing plans specific to the target markets and operations and resourcing plans that demonstrate the viability of the enterprise;
- (ii) Deliver individual courses and workshops. These courses will also be delivered through engaging local trainers and resource persons; depending on location and course complexity.
- (iii) Implement systematic methods to assist producers and traders to develop and complete business plans and;
- (iv) Provide specific advice and diagnostics to individual enterprises to increase the businesses performance.

**78. Key tasks for the credit and micro-finance component:** The micro-credit component has two main focus areas, which will be tailored for various supply chain actors that include raw materials suppliers, producers, retailers, traders and distributors. Key activities include:

- (i) Conducting workshops to explain the general procedures and criteria for accessing affordable credit through independent savings and credit groups and micro-credit providers;
- (ii) Provide a list of local-state-national micro credit providers and pro-poor banks and MFIs and the terms offered by these providers;
- (iii) Train and assist beneficiaries in preparing business plans to be submitted to appropriate credit providers (noting that larger SMEs will have different needs to MSEs);
- (iv) Once applications are lodged with micro-credit providers support the NTL complete the process, acquire funds and apply funds as stipulated under individual grant agreements.
- (v) The second micro-credit component aims to assist producer-retailer groups and other supply chain actor groups establish independent savings and credit groups. The IBDS will assist the NTL to establish the and launch the system which will include establishing groups and group-rules, application, processing,

disbursement and collection procedures complete with instruction guides and manuals.

79. **Key tasks for the brand development and implementation:** For the brand development and brand implementation component of the project, the IBDS will be responsible for facilitating the development and implementation of a “Made in Mon, Myanmar” tourist souvenirs brand through drafting a comprehensive five-year branding strategy. The Mon State brand strategy will be developed in the context of a future national brand for Myanmar and adopt the branding architectural hierarchy used international in the tourism sector. The IBDS will support a multi-sector stakeholder-working group, representing the brand owners, to determine an appropriate brand image for Mon State. The multi-sector stakeholder-working group will comprise of representatives from Mon State government departments (including those directly involved with trade promotion and SME development) development agencies, tourism sector representatives, manufacturers, producers, retailers, wholesalers and distributors. The IBDS will work in collaboration with the brand owners to define the scope, use and sustainability of the branding initiative.

80. **Preferred Qualifications and Experience:** Post graduate degree in business development/ management and marketing. The consultant will have at least seven years of practical experience training and implementing savings and micro-credit schemes for the urban and rural poor and especially women, and demonstrated ability and experience in implementing a marketing and branding program.

## **(B) National Individual Consultants**

### **National Accountant - PMU (42 months intermittent)**

81. The National Accountant (PMU) will assume responsibility to establish and maintain appropriate financial management, and administration systems for the EA and IA and in conformance with ADB and government financial accounting standards. The NFAP will be the primary focal point for control and maintenance of financial management and administration systems; and where determined by ADB and the EA, execute and supervise procurement of goods, services and civil works packages and recruitment of individual consultants and resource persons. The PMU accountant will be based in the MOHT project office in Nay Pyi Taw. Specific tasks include:

- (i) Develop and maintain project accounting systems consistent with government and ADB accounting standards and procedures;
- (ii) Provide quarterly, bi-annual and annual financial reports to the EA and ADB consistent with both government and ADB reporting processes and procedures in Burmese and English;
- (iii) Specific reporting will include financial statements for the project’s chart of accounts, imprest account disbursements, grant funds received and imprest fund replenishments, Withdrawal applications submitted, processing of direct payments to suppliers as well as other project transactions;
- (iv) Using the ADB’s Statement of Expenditure (SOE) procedures, assist the PMUT prepare SOEs and supporting documentation for submission to ADB through withdrawal applications;
- (v) Prepare withdrawal applications on a regular basis to ensure the imprest account is sufficiently replenished and adequate cash flows are maintained at all times;
- (vi) Train counterpart project staff on the use and operation of the project financial management , accounting, reporting and administration systems;

- (vii) Preparation of periodic reports as required;
- (viii) Supervise and support the PIU's accountant for operation of the PIU's financial, accounting and administration systems; and where necessary minor procurement activities;
- (ix) Facilitate the efficient transfer of funds from the project's imprest fund to the PIU's subnational bank account for efficient payment of local suppliers, PIU operating costs and other eligible expenditures;
- (x) Monitor and update disbursements projections based on the project's rolling bi-annual work plans and procurement plans;
- (xi) Review bi-annual activity plans and ensure budget allocations and planned disbursements are adequately harmonized and;
- (xii) Assist the EA prepare external annual audits and submit to ADB with 6 months of the end the project's financial year.

82. **Preferred Qualifications and Experience:** Degree in accounting, financial management, business administration or similar and at least 7 years of experience in managing project/business financial management systems. Experience with ADB and/or ODA financial management, administration and procurement systems and procedures will be a distinct advantage.

#### **National Accountant - PIU (40 months intermittent)**

83. The National Accountant (PIU) will assume responsibility for operating and maintaining the subnational financial management, administration and procurement systems for the IA. S/he will assist the PMU accountant to establish, harmonize and manage the required systems, as well as provide on the job training to the PIU's financial management counterpart staff. The PIU accountant will work under supervision and report directly to the PMU accountant. S/he will copy all relevant communications with the PMUs Financial Specialist and the PMU Accountant to ensure clear communications from the IA to the EA and Firm at all times. S/he will assist the PMU accountant initiate and complete all of the tasks described in the PMU accountant's TOR.

84. **Preferred Qualifications and Experience:** Degree in accounting, financial management, business administration or similar and at least 7 years of experience in managing project/business financial management systems. Experience with ADB and/or ODA financial management, administration and procurement systems and procedures will be a distinct advantage. S/he will be based in the project office in Mawlamyine, in Mon state.

#### **(C) Firm - Technical and Project Management Support Package (TPMS)**

85. The TPMS package will be recruited through a firm using the quality-and cost-based selection (QCBS/QBS) method with standard quality ratio of 90:10 and shall conform to ADB procedures. The firm will possess adequate qualifications, expertise and experience to perform the services.

#### **86. General Requirements for the Consulting Firm**

- (i) Eligible to provide consulting services to ADB and/or ODA funded Projects;
- (ii) Have legal status (public or private), operating under Enterprise Law;
- (iii) Have business registration or decision to specify appropriate business fields according to the required contents of the consultancy package;
- (iv) At least five (5) years working experience in related areas;

- (v) Have performed at least three (3) similar Contracts during the last three (3) years; of which at least one similar contract relating to the supporting MSME development;
- (vi) Priority for experience in performing consulting services on safeguard policies for grant project funded by 5 banks including: ADB, WB, AFD, JBIC and KFW; and
- (vii) Have essential financial capacity.

### **International Consultants to be engaged through the Firm**

#### **International Environment Specialist (2 person-months intermittent)**

87. The international environmental consultant will:
- (i) Be familiar with application of ADB safeguard policies as elaborated in ADB's Safeguard Policy Statement;
  - (ii) Prepare the needed environmental assessment reports as may be required under ADB's SPS (2009) and/or government requirements. The report/s will be submitted to government for approval and subsequent endorsement to ADB. The report/s will include an Initial Environmental; Examination (IEE) and Environmental Management Plans (EMPs), as may be required, for use during construction of the facilities and environmental management thereafter. The environmental assessment process is described in detail in the EARF;
  - (iii) Assist the PMU in obtaining the applicable government environmental permits/clearances/approval prior to contract award;
  - (iv) Work closely with the civil engineer to review the contractor's EMP which will be included in the NCB bidding and shopping for works documents;
  - (v) Prepare a checklist and reporting system to be used by the project team and civil engineer to monitor the contractor's implementation and compliance with the EMP and mitigation measures during project implementation.

88. **Preferred Qualifications and Experience:** Degree in environmental management, science or engineering or equivalent environmental discipline and have at least five years of experience in conducting IEE and preparation of IEE reports/EMP for ADB and/or ODA projects as well as knowledge of the EIA system in Myanmar. The ability to write clearly in English language is required.

#### **International Social Development Specialist (5 person-months intermittent)**

89. The Social Development Specialist will establish baseline conditions at inception, undertake a mid-term evaluation at 18 months after project inception, and prepare the final impact assessment two months prior to completion of the project. She/he will provide training for PMU and PIU staff on monitoring the projects gender action plan and assist to prepare social safeguards screening for infrastructure subprojects. She/he will be assisted by national research assistants. The key tasks include:

- (i) Select poverty, social and gender indicators that will be used to measure poverty reduction impacts and social benefits over the life of the project;
- (ii) Provide on the job training for gender monitoring for PMU / PIU staff;
- (iii) Conduct three separate household surveys of 250 households (direct beneficiaries = 200 Control = 50) at baseline, midterm and project completion to evaluate the impact of project assisted beneficiaries;

- (iv) Provide detailed longitudinal economic analysis of 12 individual MSEs (direct beneficiaries) in the project area measured at inception, midterm and project completion;
- (v) For the 12 MSEs selected, provide individual case studies for each to quantify the impact of project support services;
- (vi) Assist the PMU and PIU conduct safeguards screening for civil works and infrastructure upgrading;
- (vii) Develop guidelines for ensuring participation of the poor during implementation, and its monitoring.
- (viii) During the mid-term evaluation and at project completion, highlight the challenges and successes experienced by the project team and beneficiaries, At the time of the midterm evaluation, suggest improvements to expedite the outcome and output levels of the project for the remaining period of implementation;
- (ix) At the time of the mid-term evaluation and project closure assess the project's effectiveness in terms of facilitating community interaction, mobilization, participation, and changes in social capital and the degree of beneficiary ownership of interventions provided by the project;
- (x) Assess the extent to which knowledge and skills acquired by direct beneficiaries through the project has been shared with others in their communities;
- (xi) Assess the impact of the project on gender attitudes and gender relations in the project's target areas;
- (xii) Assess the effectiveness of the project's community-led approach to MSE support and development;
- (xiii) Provide an assessment and execution of the project's sustainability and exit strategy; and
- (xiv) Assist the ITL to monitor and guide implementation of the gender action plan.

90. **Preferred Qualifications and Experience:** University degree in applied social sciences including survey design, poverty and social impact analysis and evaluations and at least 5 years' experience in designing socio-economic surveys, selecting appropriate poverty and social impact indicators, preparing baseline surveys, midterm review, and final project evaluations.

### **National Consultants to be engaged through the Firm**

#### **National Deputy Team Leader (42 person-months intermittent)**

91. The National Team Leader (NTL) will be based in Mawlamyine in Mon state and stationed at the Project Implementing Unit office. The NTL will assist the ITL to manage and implement the project, including overall supervision of the international and national consultants. The NTL will support the PIU and Project Coordinators implement, coordinate and provide day-to-day substantive inputs and logistical support for all workshops, seminars trainings and events. Specific tasks include:

- (i) Support the PIU and Village Focal Point Representatives (VFPRs) conduct bi-annual planning and review meetings;
- (ii) Support ITL to supervise all international and national consultants and oversee all studies and assessments
- (iii) Conduct village-based awareness seminars on consumer preferences, establishment of producer groups and other MSE support activities;
- (iv) Coordinate and ensure the successful implementation of all training activities

- (v) Assist in organizing trade fairs, local product exhibitions, and learning programs/exchange visits for raw materials suppliers, producers, traders and retailers;
- (vi) Advise on the creation and distribution of promotional media and supervise the maintenance of the projects website;
- (vii) Advise the project implementation team in Mawlamyine on sound project management procedures.
- (viii) Assist the ITL in monitoring project implementation and prepare draft quarterly project progress reports for submission to the project Director for review and finalization before onward submission to ADB and the Government;
- (ix) Assist in overseeing social and environmental safeguards compliance and preparing checklist in accordance with the ADB SPS requirements; and
- (x) Support the business development specialist in all activities related to business development, micro-credit, marketing, and brand development and implementation.

92. **Preferred Qualifications and Experience:** Degree in enterprise development and marketing. Experience in managing or assisting community-based women led micro-enterprise development projects. At least 5 years of in-country experience in Myanmar. Excellent English and Burmese language skills with Mon language skills would be a distinct advantage. The NTL will have at least basic gender training or experience with MSE and women led enterprises.

#### **National Handicrafts Training Specialist (22 person-months intermittent)**

93. The National Handicrafts Training Specialist will assume overall responsibility and vision for designing new products and enhancing existing products that meet current and emerging consumer preferences and demand. S/he will design, develop and oversee the 24-month handicraft upgrading subcomponent. Implementation of the handicraft subcomponent will include the following activities:

- (i) Using the recommendations from the preliminary TNA, complete a detailed TNA commencing with existing products. For new product designs, specific technical training courses will be developed by existing local trainers in collaboration with master trainers supported by the project;
- (ii) In collaboration with the local master trainers, design and oversee the delivery of all training courses with specific attention to developing best production methods and practices. Training courses will also include quality control mechanisms to consistently achieve and sustain best quality;
- (iii) Throughout the assignment continually support and improve the skills of the project's master trainers and in collaboration with local training providers, create opportunities for master trainers to secure employment in the vocational and cottage training industries;
- (iv) In collaboration with local master trainers, provide training manuals for each product which has been upgraded or newly created;
- (v) Design, implement and assist with coordinating annual product design competitions and where possible, create opportunities and linkages to existing institutions to continue these completions each year;
- (vi) Where necessary, advise EA/IA to engage local resource persons to deliver specific training inputs for selected products;
- (vii) Provide specifications and advice for procurement of handicrafts processing equipment for individual home-based producers and for the handicrafts processing facility;

- (viii) Provide input into the design of the proposed craft and souvenir market in Mawlamyine; and
- (ix) Provide specific inputs into annual work plans and progress reports and provide relevant information for posting to the project's website.

94. **Preferred Qualifications and Experience:** At least 5 years' experience in the handicrafts production sector. Having worked or currently working for a social or private enterprise in the handicrafts sector would be a major advantage. The consultant should have understanding and skills related to gender. The consultant will be based in Mawlamyine with frequent trips to Kyaikhto.

#### **National Food Processing Training Specialist (22 person-months intermittent)**

95. The National Food Processing Training Specialist will assume overall responsibility for new product development and upgrading existing products aligned with the needs of emerging market demand and using information from VCA, TNA, and market studies. Implementation of the food processing subcomponent will include the following activities:

- (i) Conduct a detailed TNA for exiting products and design training modules for the development of new products. New methods of production will be introduced that improve the level of food hygiene and where possible. Assist producers acquire national certification of national food safety standards. The consultant will have access to laboratories to test food quality and engineer prototypes for new and improved processed foods;
- (ii) The consultant will also address issues associated with hygienic packaging and improving the shelf life of processed foods;
- (iii) Adopting a similar approach to the National Handicraft Training Specialist, select, train and improve the skills of master trainers and design and supervise the delivery of all training courses;
- (iv) Provide specifications and advice on the procurement of food processing equipment for individual home-based producers and the food processing facility and provide inputs into the design of the crafts and food market in Mawlamyine (specifically restaurants and eating spaces);
- (v) Provide specific inputs into annual work plans, progress reports and post relevant information for posting to the project's website

96. **Preferred Qualifications and Experience:** At least 5 years' experience in the food production sector and experience working with the rural poor especially women. The consultant should have understanding and skills related to gender. The consultant will be based in Mawlamyine with frequent trips to Kyaikhto.

#### **National Civil Engineer Consultant (12 person-months intermittent)**

97. The national civil engineer will assume responsibility for facility design and construction supervision for the craft and souvenir market and the multi-purpose food processing and handicrafts production center. The civil engineer will:

- (i) Create preliminary concept designs for the craft and souvenir market and multi-function processing center ;

- (ii) Complete preliminary site surveys to estimate the cost of developing the land parcels for construction of the market and processing center that fits within the overall civil works budget;
- (iii) Once land has been selected and agreed, conduct land contour surveys, create detailed works designs and specifications, with drawings, and provide the project with cost estimates based on a Bill of Quantities ;
- (iv) Collaborate with the project's international team leader and national deputy team leader and environmental specialist to prepare bidding documents for construction of both facilities;
- (v) Integrate recommendations and mitigation measures from the Initial Environmental Examination into the civil works contract for construction of the market complex;
- (vi) Assist the PMU with the technical evaluation of bids and preparation of Bid Evaluation Reports following National Competitive Bidding procedures;
- (vii) Supervise the construction of the market and processing center to ensuring the contractor complies with all civil works contract provisions;
- (viii) Certify progress payments to the contractor based on physical completion of the works;
- (ix) Assist the PIU in all phases of contract management and supervision, including the issuance of the Certificate of Completion;
- (x) Provide regular progress reports that contain a photographic record of all stages of construction activities and;
- (xi) At the end of the construction phase, provide "as built drawings" to the EA, IA and operators of the market and processing center.

98. **Preferred Qualifications and Experience:** Degree in civil engineering and at least 10 years work experience in Myanmar. The civil engineer will have proven experience in design, contract management and construction supervision. A university degree in civil engineering or other relevant field and the ability to read and write clearly in English and Burmese is required.

99. The Terms of Reference for the external auditor is provided in Appendix 2.

## VII. SAFEGUARDS

100. No adverse environmental or social impacts are expected to arise from the project. The Project is categorized as C for involuntary resettlement and environment and B for Indigenous People. It is focused primarily on training and capacity building for the rural poor who are overwhelming majority ethnic minority people. Project preparation and implementation will follow ADB's Safeguard Policy Statement (SPS 2009). It will not support any activities that require land acquisition and resettlement or have any adverse impacts on Indigenous People and the environment. The land for the market will be vacant, unused and unoccupied land, to be identified and provided by the government and project beneficiaries. A due diligence during project implementation shall confirm that (i) the project will not entail land acquisition; (ii) that where land is available, such lands are free from encumbrances; and (iii) there are no past or existing land and resettlement issues in regard to existing facilities. This will be ensured through completion of the social safeguards screening checklist by the PIU for each civil works or infrastructure upgrading. The checklists will be confirmed by the assigned staff of PMU and consultant support prior to submission for financing.

101. **Environment safeguards.** As Category C, potential impacts (if any) will be localized and site-specific. Any identified impacts are low and temporary, and can easily be mitigated. As

may be appropriate, an Environmental Assessment Report, and if required, IEE/EMPs shall be prepared to manage any environmental impacts during constructions and/or operation phase for civil works. Also, the applicable government environmental permits, clearances and/or approval will be obtained before award of any contract.

102. **Indigenous Peoples.** The presence of large number of ethnic minorities in both the project's target areas who are the primary project beneficiaries meets the criteria of integration of IPP elements into project design in accordance with the SPS. There are no specific targets for the IP group participation. Interviews and consultations with affected IP communities - producers, retailers and owners of MSEs, were conducted and their support for improvement of the value chain gained. Consultation and participation will be continued throughout the project cycle to ensure their involvement in access to finance, training and other project activities. There is neither commercial development of resources nor any emergence of tourism activities due to this intervention. The IP groups are already producing the handicrafts and the project will support improvements in the value chain. A consultation and participation summary will be included as part of project documentation.

103. Consultations were held with Mon and Karen people in Mawlamyine and Kyaikhto Townships, Consultations included: (i) workshops in both Mawlamyine and Kyaikhto with Mon and Karen based CSO, NGOs, locally based development partners and local Mon tourism operators (ii) key informant interviews with CSO, NGO and development partner representatives; (iii) Individual face to face interviews with producers, retailers and owners of MSEs who were of Mon, Karen and Burmese ethnicity with the overwhelming majority being Mon people and (iv) meetings with State government agencies and departments.

104. The social safeguards due diligence checklists are in Appendix 3.

## VIII. GENDER AND SOCIAL DIMENSIONS

**Table 18: Gender Action Plan**

Project Outputs	Gender Design features/Activities
1. Skills and management capacity of micro and small enterprises and their employees developed	<ul style="list-style-type: none"> <li>- Ensure that gender issues and analysis informs all the foundation studies: socio-economic baseline survey, value chain assessment and market study.</li> <li>- Women will comprise 50% of participants in all village consultations and awareness raising seminars</li> <li>- 60% of the members of producer groups are women</li> <li>- All training materials will be prepared in consultation with community women and other stakeholders, to ensure that these are easily understood and sensitive to gender and ethnicity</li> <li>- Ensure that training materials on safe migration and life skills include gender issues in migration, including gender dimensions of risk, vulnerability and protection.</li> <li>- At least 60% of participants in all trainings will be women</li> <li>- At least 60% of trained master trainers will be women</li> <li>- All trainings are conducted in locations and at times convenient for women</li> <li>- At least 60% of newly developed enterprises will be owned by women</li> </ul>

<b>Project Outputs</b>	<b>Gender Design features/Activities</b>
2. Access to business services, credit, and commercial networks strengthened	<ul style="list-style-type: none"> <li>- All training materials will be prepared in consultation with community women and other stakeholders, to ensure that these are easily understood and sensitive to gender and ethnicity</li> <li>- At least 60% of trainees in training on business development/ accounting and savings and credit groups, will be women.</li> <li>- 60% of producers/ retailers who have accessed credit are women.</li> <li>- At least 60% of participants in national and regional trade fairs are women.</li> <li>- 50% of the participants in product design competition for innovative handicrafts are female.</li> </ul>
3. Infrastructure to support access to markets and processing facilities improved	<ul style="list-style-type: none"> <li>- Women will comprise 70% of producer/retailers participants in all village consultations/planning meetings on the development of project infrastructure</li> <li>- 60% of the vendors provided space in the local craft and product market will be women.</li> <li>- Ensure that the market and processing facility includes separate latrines for women and men and adequate lighting for security of women.</li> <li>- At least 40% of members in market management committee and vendor associations are women</li> <li>- At least 60% of community members employed in project supported infrastructure are women.</li> <li>- Management, operation and maintenance plans will include strategies to ensure women's involvement in the management, operation and maintenance of the market and processing facilities, including quotas for membership in relevant committees</li> </ul>

## IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

### A. Project Design and Monitoring Framework

**Table 19: Design and Monitoring Framework**

<b>Impact the Project is aligned with:</b>			
The project is aligned with the government's priority to create jobs and generate income to reduce poverty <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources or Reporting Mechanisms</b>	<b>Risks</b>
<b>Outcome</b> Micro and small enterprises (MSEs) enabled to increase business activities and employment in project areas	By 2020: a. At least 300 new MSEs established, of which at least 60% are led by women, and have a majority of women employees (2015 baseline: 1,500) b. 500 people (of which 60% are women) employed through project interventions (2015 baseline: 0) c. Real income increased by 25% in project-supported areas (2015 baseline: N/A) *	a & b. Project monitoring reports  c. Household surveys	Adverse economic conditions, political unrest, or natural disasters occur
<b>Outputs</b> 1. Skills and	By 2019: 1a. At least 1,700 people trained, of	1a & 1c. Quarterly	Inadequate

<b>Results Chain</b>	<b>Performance Indicators with Targets and Baselines</b>	<b>Data Sources or Reporting Mechanisms</b>	<b>Risks</b>
management capacity of MSEs and their employees developed	<p>which at least 60% are women (2015 baseline: 0)</p> <p>1b. Value chain analysis conducted for 12 products with potential for commercialization (2015 baseline: 0)</p> <p>1c. 3,100 master trainers trained from government, civil society organizations, and producer groups (60% women) (2015 baseline: 0)</p>	<p>project progress reports</p> <p>1b. Interviews with producers and entrepreneurs, trainers, and consumers</p>	<p>coordination with key government stakeholders and ministries for the delivery of project activities and outputs</p>
2. Access to business services, credit, and commercial networks strengthened	<p>2a. At least 900 MSEs have increased knowledge of good business development and management practice (60% women-owned MSEs) (2015 baseline: N/A)*</p> <p>2b. 90% of MSEs have access to affordable credit (60% women-owned MSEs) (2015 baseline: N/A)*</p> <p>2c. At least seven new products marketed and sold through retail outlets in Yangon and other major cities (2015 baseline: 0)</p>	<p>2a. Interviews with women producers and intended project recipients</p> <p>2b &amp; 2c. Quarterly and annual project progress reports</p>	<p>Potential coordination issues with local civil society organizations, women's groups, business development services service providers, and other stakeholders</p>
3. Infrastructure to support access to markets and processing facilities improved	<p>3a. Dedicated craft and local product market with at least 25 vendors developed, operating, well maintained, and financially sustainable (60% of vendors are women) (2015 baseline: 0)</p> <p>3b. A market management committee and one vendor association established (60% of members are women) (2015 baseline: 0)</p> <p>3c. One multiproduct processing center established for production of handicrafts and processed foods (2015 baseline: 0)</p> <p>3d. Two management, operation, and maintenance plans developed and implemented for the market and processing facilities (2015 baseline: 0)</p>	<p>3a. Interviews with site managers, entrepreneurs, and consumers</p> <p>3b, 3c, &amp; 3d. Quarterly and annual project progress reports</p>	<p>Sustainability, operation and maintenance of infrastructure assets are not implemented effectively</p>
4. Capacity of executing and implementing agencies, and key stakeholders enhanced	<p>4a. Project management, implementation, and consulting teams fully staffed (35% women) (2015 baseline: 0)</p> <p>4b. Sex-disaggregated data project performance and management systems established (2015 baseline: 0)</p>	<p>4a. Annual project reports</p> <p>4b. Performance monitoring and evaluation reports</p>	<p>Required counterpart staff are not appointed</p>

\* These will be updated based on socioeconomic study and value chain analysis.

Results Chain	Performance Indicators with Targets and Baselines	Data Sources or Reporting Mechanisms	Risks
	4c. All counterpart staff, consultants, and implementing partners trained on gender issues in enterprise development	4c. Project completion report	
<p><b>Key Activities with Milestones</b></p> <ol style="list-style-type: none"> <li>1. Skills and management capacity of MSEs and their employees developed <ol style="list-style-type: none"> <li>1.1 Baseline socioeconomic study by second quarter (Q2) 2016</li> <li>1.2 Training needs assessment and value chain analysis by Q2 2016</li> <li>1.3 Selection of target villages determined by baseline studies and multistakeholder inception workshops by Q2 2016</li> <li>1.4 Election and mobilization of village focal point representatives in 12 villages by Q2 2016</li> <li>1.5 Producer and retailer groups established by Q3 2016</li> <li>1.6 Detailed design of multiple product lines for handicraft upgrading program by Q3 2016</li> <li>1.7 Implementation of training courses and modules for handicraft upgrading program by Q4 2016</li> <li>1.8 Detailed design of multiple product lines for processed foods upgrading program by Q3 2016</li> <li>1.9 Implementation of training courses and modules for processed foods upgrading program by Q4 2016</li> <li>1.10 Training of master trainers by Q4 2016</li> <li>1.11 Seminars on gender equality, safer migration, and life skills by Q3 2016</li> <li>1.12 Seminars with producers and suppliers on availability and sustainability of raw materials by Q1 2017</li> <li>1.13 Seminars to disseminate consumer preferences on market demand for selected products by Q1 2017</li> </ol> </li> <li>2. Access to business services, credit, and commercial networks strengthened <ol style="list-style-type: none"> <li>2.1 Mapping of local service providers for business development services, and microcredit and banking services by Q2 2016</li> <li>2.2 Implementation of business start-up, management, and financial literacy and credit-training courses by Q3 2016</li> <li>2.3 Intermediate and advanced business planning, marketing, and application of savings and credit by Q1 2017</li> <li>2.4 Marketing and branding strategy developed by Q2 2017</li> <li>2.5 Marketing and branding strategy implemented by Q4 2017</li> <li>2.6 Workshop to create independent savings and credit groups and mentoring support by Q2 2017</li> <li>2.7 Exposure visits to facilitate linkages with markets in Yangon and other major cities by Q4 2017</li> <li>2.8 Promotion of "Made in Mon State" brand in national regional trained fairs by Q3 2017</li> <li>2.9 Product design competition for innovative handicrafts for the souvenir market by Q1 2017</li> <li>2.10 Manuals and promotional materials disseminated by Q2 2018</li> </ol> </li> <li>3. Infrastructure to support access to markets and processing facilities improved <ol style="list-style-type: none"> <li>3.1 Identification of market, site survey (with no land acquisition and resettlement), and initial concept drawings completed and agreed by Q4 2016</li> <li>3.2 Completion of initial environmental examination reports as may be required; applicable government environmental clearances, permits, and approvals obtained by Q4 2016</li> <li>3.3 Bidding, award, and construction of market in Mawlamyine by Q1 2017</li> <li>3.4 Equipment procured and fit out for the market at Mawlamyine by Q4 2018</li> <li>3.5 Market management committee established by Q4 2018</li> <li>3.6 Management contracts prepared for private and/or social enterprise by Q4 2018</li> <li>3.7 Identification of land for processing center, site survey, and initial concept drawings completed and agreed by Q4 2016</li> <li>3.8 Bidding, award, and construction of market in Kyaikhto by Q1 2018</li> <li>3.9 Equipment procured and fit out for multipurpose processing center in Kyaikhto by Q4 2018</li> <li>3.10 Facility management committee established and operations commenced by Q1 2019</li> </ol> </li> <li>4. Capacity of executing and implementing agencies, and key stakeholders enhanced <ol style="list-style-type: none"> <li>4.1 Recruit and train project management unit and project implementation unit staff by Q1 2016</li> <li>4.2 Establish project performance management system by Q1 2016</li> </ol> </li> </ol>			

**Key Activities with Milestones**

- 4.3 Recruit consulting services and specialists with expertise in MSEs development, marketing, civil engineering, value chain analysis, training, and project management by Q1 2016
- 4.4 Gender training for project management unit, project implementation unit, consultants, and implementation team by Q2 2016
- 4.5 Biannual planning and review steering committee meetings by Q2 2016
- 4.6 Exit strategy developed and implemented by Q3 2019
- 4.7 Midterm evaluation and completion report by Q3 2017

**Inputs**

Japan Fund for Poverty Reduction: \$3.0 million grant

Government: \$0.44 million

Community contributions: \$0.01 million

**Assumptions for Partner Financing**

Not Applicable

<sup>a</sup> Government of Myanmar. 2012. *Framework for Economic and Social Reforms, 2012–2015*. Yangon; and Government of Myanmar. 2014. *National Comprehensive Development Plan – A Prosperous Nation Integrated Into the Global Community 2030*. Yangon.

Source: Asian Development Bank.

**B. Monitoring**

105. **Project performance monitoring.** The project design and monitoring framework includes indicators and targets to measure project benefits. To facilitate project benefit monitoring, a baseline report detailing socioeconomic conditions in target communities and data on MSE-related production, income, and employment will be commissioned within 7 months of project effectiveness. Within 9 months of project effectiveness, the PMU, with support from the International Team Leader consultant will develop the project performance monitoring framework (PPMF). The PPMF will record project's technical and financial performance, timely delivery of project's activities/ milestones, and assess achievement of project objectives and social, economic and institutional impacts. The PPMF will include the key project indicators and targets with agreed socio-economic baselines to be used to measure the project impact, outcome and evaluate its outputs. During the establishment of the PPMF, the PMU will: (i) confirm baseline figures and targets; (ii) determine monitoring and reporting arrangements; (iii) confirm data sources; (iv) check assumptions and risks; and (v) establish systems and procedures for systematic data collection. The PMU will submit the final PPMF to ADB for approval.

106. **Work-planning process:** Bi-annual planning and review meetings will be undertaken comprising PMU, PIU, village focal point representatives, CSOs, development partners, and other stakeholders directly collaborating with the project to develop initial annual work plan, review accomplishments, challenges, and lessons learned before selecting activities for inclusion in subsequent work plans.

107. **Monitoring disbursements:** Annual contract awards and disbursement projections will be prepared and submitted by the PMU to ADB within 2 months of project inception.

Subsequent projections will be submitted by 10 December each year, to facilitate the monitoring of project implementation and help identify impediments to implementation progress.<sup>24</sup>

108. The PMU will monitor the progress of activities in each project location as well as withdrawals, disbursements and reimbursements of project accounts based on monthly reports by the PIU and the consultant team. The PMU will consolidate the monthly progress reports into quarterly and bi-annual progress reports for onward submission to the National Steering Committee and ADB. Data collection methods for the baseline, midterm, and final evaluations will be highly participatory. Sex and ethnic-group disaggregated data will be collected for all indicators and activities, including household surveys and interviews with producers and retailer groups.

109. **Compliance monitoring:** The status of compliance with project covenants will be reviewed during each ADB review mission, to be conducted at 6-month intervals. The PMU will monitor compliance against the covenants and report updates in bi-annual and annual progress reports submitted to ADB and the Government. Any non-compliance issues will be specified in these reports, with proposed remedial actions for consideration at ADB review missions.

110. **Safeguards monitoring:** Regular progress reports to include summary of social and environmental safeguards screening activities based on the checklist and findings during the monitoring period. An integrated safeguards monitoring report shall be prepared and submitted to ADB on an annual basis. Said report shall be based on EMPs (if any).

111. **Gender and social dimensions monitoring:** The implementation of the gender action plan (GAP) is the primary responsibility of the Project Director. The Project Director will be supported in his/her oversight function by the by International Team Leader. At the PIU level, the responsibility for GAP implementation will rest with the two Coordinators coordinating project implementation at the township levels. The project coordinators will be supported by the National Deputy Team Leader. All Consultant TORs will include responsibility for gender analysis, integration and implementation of GAP activities relevant to their assignments/ area of expertise and focus. Gender sensitive indicators will be integrated in the PPMS. Project will include sex disaggregated data and ethnic group-disaggregated data on all project activities and outputs in regular reporting. Progress update on GAP implementation will be included in all reports to ADB. The GAP Monitoring Template is in Appendix 4.

## C. Evaluation

112. The ADB and government will jointly review the project at least twice a year (at 6-month intervals). Joint review missions will assess (i) achievement of contract awards and disbursements; (ii) physical progress of each project output; (iii) effectiveness of capacity development programs; (iv) compliance with social and environmental safeguards; (v) progress on gender dimensions; (vi) compliance with project covenants; and (vii) performance of government agencies, implementation units and consultant and contractor performance. Findings of project review missions will be agreed by ADB and the EA and recorded in an Aide Memoire.

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<sup>24</sup> The Disbursement Procedures for withdrawals of loan or grant proceeds and the required documents are detailed in the *Loan Disbursement Handbook* (2015, as amended) which can be found at <http://www.adb.org/sites/default/files/institutional-document/33606/files/loan-disbursement-handbook.pdf>. The sample forms for withdrawal applications can be downloaded from the LFIS/ GFIS website (<http://lfis.adb.org>).

113. A midterm evaluation performed by the project's counterpart staff together with ADB will (i) review the project scope, design, and implementation arrangements; (ii) identify changes in scope or implementing arrangements since project appraisal; (iii) assess the project's progress toward meeting its stated objectives; (iv) identify problems and suggest ways to overcome them during the final 18 months of the project; and determine compliance with the JFPR Letter of Agreement. The government project completion report (PCR) will be prepared by the project implementation team following the standard ADB format, within 6 months of physical completion of the Project. Following submission of the government PCR and handover of all project assets, an ADB Completion Report and independent impact assessment comparing baseline and end of project conditions will be prepared by an independent individual consultant recruited by ADB.

#### D. Reporting

114. **Quarterly Report:** The EA will provide ADB with (i) quarterly progress reports in a format consistent with ADB's project performance reporting system. The PMU will consolidate all project activity reports prepared by the PIU, consultants, and contractors into quarterly reports containing sex-disaggregated data and ethnic group-disaggregated data, and should include a summary of social safeguards screening activities and findings during the monitoring period. Quarterly reports will be endorsed by the national project director and submitted to ADB no more than 30 days after the end of each project quarter. Quarterly reports will be in English following the guidelines and template shown in Appendix 5. The guidelines for computing percentage of grant implementation progress is in Appendix 6.

115. **Grant Status Report for ADB Office of Co-financing Operations.** As part of regular reporting the executing agency will prepare a bi-annual grant status report and submit the report to ADB within one month of the end of each reporting period. The report will include: (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions/ actions taken; (c) grant utilization status; (d) updated procurement plan and (d) updated implementation plan for next 6 months. The grant status report template is in Appendix 7.

116. **Audited Grant Accounts.** The PMU and PIU will maintain project accounts in accordance with sound accounting principles. All project accounts will be audited annually by an independent external auditor acceptable to the ADB; and using international accounting and auditing standards. A separate audit opinion will be issued on the use of the JFPR imprest account, project sub-account and statement of expenditure procedures. The audit opinion will include (i) an assessment of the adequacy of accounting and internal control systems regarding project expenditures and transactions; (ii) a determination as to whether the government, the PMU and PIU have maintained adequate documentation for all financial transactions, specifically on statement of expenditure and imprest account procedures; and (iii) confirmation of compliance with the project's financial management system and ADB and government requirements for project management. Audit reports will be submitted to ADB within 6 months of the end of each fiscal year. Audit requirements and guidelines are in Appendix 8.

117. The government project completion report will be prepared by the project implementation team following the standard ADB format, within 6 months of physical completion of the project. The report will document actual cumulative inputs, outputs and outcomes, and lessons learned through the grant implementation period.

## E. Stakeholder Communication Strategy

118. The project will implement a stakeholder communications strategy that will ensure stakeholders and participants at all levels are adequately informed of the project activities. The PMU will establish webpages on the MOHT website as the primary portal for dissemination of project related information. The website will include the JPFR Grant Assistance Report, project administration manual, progress reports, annual work plans and procurement plans, among other project-related documents and links. Efforts will be made to publish documents in both the English and Myanmar languages. The PMU will facilitate information exchange at all levels and sharing of lessons among the multi-sector project steering committee. Project beneficiaries, selected from communities participating in the project and broader community of stakeholders in Mawlamyine and Kyaikhto townships will be included in the project's planning, monitoring and evaluation activities. Twice yearly project planning and review meetings will be conducted to review and agree on annual work plans among the various project stakeholders.

119. The project will also promote JFPR visibility through the use of standardized logos in publications, workshops and seminars, and periodic press releases. The JFPR logo will be prominently displayed during the ceremony to sign the JFPR Grant Agreement. Advertisements for procurement of goods and consultant recruitment will carry the JFPR logo. Project visibility and stakeholder communications will be further enhanced through the branding and marketing strategies and activities; design competition for innovative handicrafts and the establishment of the market and processing facilities. These activities are expected to generate substantial public interest and national media attention.

## X. ANTICORRUPTION POLICY

120. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.<sup>25</sup> 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/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.<sup>26</sup>

121. To support these efforts, relevant provisions are included in the grant agreement and /or regulations and the bidding documents for the Project. The project incorporates several other measures in addition to the standard ADB requirements to deter corruption and increase transparency. The project will (i) build capacity in the EA to understand and comply with ADB and government procedures as outlined in the PAM and (ii) widely publicize in communities in the project area the existence of ADB's Office of Anticorruption and Integrity as the initial point of contact for allegations of fraud, corruption, and abuse in ADB-financed projects. A project website will be developed to disclose information about project matters, including procurement. To encourage more stakeholder vigilance as well as ensure greater accountability, a task force will be set up in the EA to receive and resolve grievances or act upon stakeholders' reports of irregularities. The task force will (i) review and address stakeholders' grievances against the project in relation to the project itself, any service provider, or any person responsible for carrying out the project and (ii) set the threshold criteria and procedures for handling such

<sup>25</sup> Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

<sup>26</sup> ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

grievances, proactively responding to them, and providing the stakeholders with notice of the mechanism.

## **XI. ACCOUNTABILITY MECHANISM**

122. 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 a good faith effort 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.<sup>27</sup>

## **XII. RECORD OF PAM CHANGES**

123. The first draft of the PAM has been prepared and discussed during the grant fact-finding mission in April 2015.

124. After ADB Board approval of the project changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures and upon such approval they will be subsequently incorporated into the PAM. All revisions/updates to the PAM should be recorded chronologically in this section.

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<sup>27</sup> For further information see: <http://www.adb.org/Accountability-Mechanism/default.asp>.

## **Mawlamyine Market General Specifications**

### **Land**

Minimum land area: 40m x 40 m = 1200 m<sup>2</sup> (includes parking lot) Government owned vacant plot with no assets.

Land geography: Ideally (i) well drained and not prone to flooding (ii) does not require large volumes of backfill to achieve desired site land profile; (iii) aim to leave as many existing large trees and native vegetation as possibly (if any); (iv) access to mains power; (v) access to mainline sewerage and storm water discharge systems and; (vi) not in conflict with other land adjacent uses (light industry or industrial sites).

Access: Paved road strong enough to carry tourist buses.

Location: Ideally located close to an existing popular tourist site. Accessibility to women producers, MSEs and retailers will be a key criterion in selecting the market location.

### **Market Design Concept**

There are a few simple design features that contribute to a well-functioning craft and local products market. Firstly, the market should provide tourists and local residents with comfortable spaces to shop and interact with retailers. The actual shopping experience by tourists and residents need to be carefully considered during the design phase. Many market spaces in Southeast Asia are cramped and uncomfortable for both buyers and sellers. Narrow walk ways and products stacked from floor to ceiling make physical movement difficult. The walkways between vendor stalls should be at least 1.5 meters wide. Secondly most markets are designed with little or no input from sellers – who are overwhelmingly women. Market designers build small narrow stalls, which retailers then have to somehow convert into retail spaces. Enough physical space for products on display – storage space for the inventory is required. A minimum space of 9m<sup>2</sup> for each stall would provide enough space for retail floor space and storage. Spaces in front of vendor retail outlets for working displays such as cotton and basket weaving and wood carving would also add authenticity for tourists to appreciate the work that is invested into handmade local products. Thirdly, well-designed craft and souvenir markets provide outdoor food service areas where tourists and locals can congregate eat, drink and relax. A number of food outlets can be integrated into the design to provide clean, good quality local and international food. The restaurants would be built opposite the craft outlets and outdoor eating spaces would occupy the central courtyard and follow good practice service standards including waste disposal. The outdoor restaurants would include retractable awnings to keep visitors cool during the day and provide shelter during periods of rain. Palms and vegetation in the courtyard would add to the overall beauty of the eating areas and create a pleasant atmosphere enjoyed by locals and tourists alike. Fourthly, clean toilets and restroom facilities need to be located away from eating areas and restaurants at the minimum distance specified by the state health department following good practice operating standards especially related to water supply, waste water and solid waste disposal. Infant changing facilities and disabled people access must also be considered in the design of public restrooms (see also first point above on width of walkways). Lastly the market would be an ideal location for performance and events and where tourists could be entertained and experience Mon traditional dance and live music. A stage and performance area could be easily integrated into the market space. The market would also support a market manager's office and ideally a trade facilitation space to enable national and international buyers a central venue to place orders for products produced from all ten Townships in Mon State.

## **Opening Hours and Employment**

The survey team's research for the ideal opening hours of craft and souvenir markets would be from 10.00 am to 10.00 pm daily. These hours will allow the market to operate as day *and* night market with the majority of tourists expected to arrive from 4pm onwards. The initial design could cater for 25 retail outlets 20 handicrafts and five for food. Total employment for the whole of the market is conservatively estimated at approximately 80 people; represented by 50 retailers (2 per outlet) 20 outside restaurants staff, 6 maintenance staff including security and a market management team of two people to manage the day to day operations of the market and the manage the trade center.

## **Market Management Committee**

It is proposed that the management of the market follows a similar model developed in other JFPR projects in recent years. Given that the market will be funded by the JFPR and transferred to the EA or IA at the end of the project, with the government being the legal owner of the market. It is likely the market will be handed over to a Ministry or Department within the Mon State Government. The mandate of the Market Management Committee (MMC) is to ensure that the market is professionally operated, continues to benefit its direct stakeholders and act as a focal point for issues external to the markets operation. The basic concept is that a MMC representing all concerned stakeholders is formed to oversee management and maintenance of services of the market. The MMC will comprise of up to 12 members including representatives from State government departments (MOC and MOHT for example), CSOs and NGOs, individual vendors/retailers based at the market and members of the tourist industry (hoteliers for example). The MMC then could offer the actual market management to a private sector or social enterprise with experience in facility management to manage the day-to-day operations of the market. The market management operator (MMO) would also operate a trade facilitation center. The MMO could comprise two managers and employ up to 6 staff to maintain and provide security for the market. The MMO would have the right to create subcontracts with vendors/retailers and other users of the market to pay for market management, operation and maintenance costs.

## **Market Sustainability**

The operations and maintenance sustainability of the market will be assured through contracting arrangements along with market by-laws, which will ensure the operation of the market to a high standard. Funds to support operations and maintenance will be drawn from income generated from monthly market rents by vendors. Other sources of income will include commissions from operating the business facilitation center and renting venue for cultural performances and open restaurant spaces, for example. Table 1 provides the estimates of revenue and expenditure for the market for the period 2017-2027. The project will prepare a business and marketing plan for the market in parallel with preparation of detailed design of the facility. The project will also assist the MMC prepare bidding documents, expressions of interest, and request for proposals to identify, evaluate, select and engage a competent operator. The project can also assist the operator draft leases and subcontractors for retailers intending to occupy the market.

**Table 1: Mawlamyine Market Income and Expenditure Estimates (\$) 2017 – 2027**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Revenues</b>											
Permanent kiosks	45,000	47,250	49,613	52,093	54,698	57,433	60,304	63,320	66,485	69,810	73,300
Events	2,000	2,100	2,205	2,315	2,431	2,553	2,680	2,814	2,955	3,103	3,258
Temporary kiosks	2,000	2,100	2,205	2,315	2,431	2,553	2,680	2,814	2,955	3,103	3,258
<b>Total Revenue</b>	<b>49,000</b>	<b>51,450</b>	<b>54,023</b>	<b>56,724</b>	<b>59,560</b>	<b>62,538</b>	<b>65,665</b>	<b>68,948</b>	<b>72,395</b>	<b>76,015</b>	<b>79,816</b>
<b>Expenditures</b>											
Salaries	10,560	11,088	11,642	12,225	12,836	13,478	14,151	14,859	15,602	16,382	17,201
Repairs & Maintenance	15,000	15,750	16,538	17,364	18,233	19,144	20,101	21,107	22,162	23,270	24,433
Utilities	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616	19,547
Miscellaneous	2,500	2,625	2,756	2,894	3,039	3,191	3,350	3,518	3,694	3,878	4,072
<b>Total Expenditures</b>	<b>40,060</b>	<b>42,063</b>	<b>44,166</b>	<b>46,374</b>	<b>48,693</b>	<b>51,128</b>	<b>53,684</b>	<b>56,368</b>	<b>59,187</b>	<b>62,146</b>	<b>65,254</b>
<b>Net Income before Tax</b>	<b>8,940</b>	<b>9,387</b>	<b>9,856</b>	<b>10,349</b>	<b>10,867</b>	<b>11,410</b>	<b>11,980</b>	<b>12,579</b>	<b>13,208</b>	<b>13,869</b>	<b>14,562</b>

Source: ADB estimates.

## Terms of Reference for Financial Audit Consulting Services (Auditor)

### Audit of Annual Project Financial Statements (APFS)

#### I. BACKGROUND OF THE PROJECT:

1. Annex 1 presents the guidance including terms and definitions used in this terms of reference (TOR), and Annex 2 presents the background, the executing agency (EA) and implementing agencies (IAs) of the project.

#### II. OBJECTIVE

2. The objective of the audit of the APFS is to enable the auditor to express a professional opinion on:

- (a) the APFS for the year(s)/period(s) then ended, and assess the progress with the overall budget, in accordance with the acceptable accounting standards;
- (b) the compliance with laws, regulations and funding agreements that have a direct and material financial effect on the entity's financial report;
- (c) the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements (FS) as well as internal control over financial reporting; and
- (d) the eligibility of claims made in Statements of Expenditure (SOEs) and the Imprest Account Statement.

3. **Record keeping:** The Project's accounting system (books and records) provides the basis for preparing the audited APFS. The system was established to record the Project's financial transactions and is maintained by related Project's EA/IAs.

#### III. SCOPE OF WORK

4. The APFS to be audited will focus on *Financial Statements (FSs)*, prepared by the EA/IAs that should include:

- (a) A Summary of Sources and Uses of Funds received showing the Asian Development Bank (ADB) funds, any co-financing and counterpart funds separately;
- (b) A summary of expenditures shown under the category of the main project components, the expenditures, the allocation of grant proceeds, the procurement plan (as referenced in grant and appraisal documentation) for both current fiscal year and cumulative to date, based on the categories given in Annex 3;
- (c) Supporting schedules to the FSs which at least include: (i) A reconciliation of the amounts shown as "received by the project from ADB and other financiers" with those shown as being disbursed by ADB and other financiers (for direct payment); (ii) SOE: listing individual SOE withdrawal applications by specific reference number and amount in each financing agreements; and (iii) designated Account(s) statement showing movement and reconciliation with the bank statements;
- (d) A Summary of the principal accounting policies that have been adopted, and other explanatory notes;
- (e) A Management Assertion that the funds of ADB and other financiers have been expended in accordance with the intended purposes.

5. **Audit Phasing**<sup>28</sup>:

Month of fiscal year (FY) and report submission

Period	FY start	FY End	Report Submission	Remarks
1	1 April 2016	31 March 2017	Soon after FY ended	Shall be received by ADB before the 6 months of fiscal year ended
2	1 April 2017	31 March 2018	Soon after FY ended	
3	1 April 2018	31 March 2019	Soon after FY ended	
4	1 April 2019	31 March 2020	Soon after FY ended	

6. **Contract:** The auditor will be contracted for the audits for four (4) phases mentioned above. However, the auditor should submit the financial proposal in US\$ in a format indicating the amount for each financial year independently. If performance is not satisfactory in one year then the client will not be bound for subsequent year's audits.

7. **Applicable auditing standards:** The audit will be carried out in accordance with International Standards of Auditing (ISA) including:

- (a) planning and conducting the audit in accordance with a risk based framework with a detailed audit work program which is sufficiently extensive in its coverage of the project's accounts to support the opinion given;
- (b) the auditor will gather evidence and prepare working papers to properly document the evidence seen in support of the opinion given; sufficient audit evidence will be gathered to substantiate in all material respects the accuracy of the information contained in supporting schedules attached to the financial statements;
- (c) the auditor will review and evaluate the system of internal controls in effect, including internal audit procedures, to determine the degree of reliance that may be placed upon them and to determine the extent of testing of actual transactions needed to assure the auditor of the accuracy of the accounting records; and
- (d) the audit coverage will consider the risk of material misstatement(s) as a result of fraud or error. The audit program should include procedures that are designed to provide reasonable assurance that material misstatements (if any) are detected.

8. The auditor should obtain an understanding of the design and operation of internal control over compliance with requirements that could have a direct and material financial effect on the funding agreements. The auditor's work in this area is in addition to the consideration of internal control over financial reporting that is part of the financial statement audit. Specifically, the auditor must obtain an understanding of the internal control over compliance that is sufficient to plan the audit to support a low assessment level of control risk for donor program. The auditor needs to test the internal control unless the internal control is likely to be ineffective in preventing or detecting noncompliance. Please review and confirm whether:

- (a) Funds of ADB and other financing (and all external financing where ADB is not the only financier) have been used in accordance with the conditions of the relevant financing agreement, with due attention to economy and efficiency, and only for the purposes for which the financing was provided, as detailed in the supporting documents (Annex 3);
- (b) Counterpart funds (Annex 3) have been provided and used in accordance with the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which they were provided;

<sup>28</sup> Note that audit periods for one auditor are allowed for all fiscal years of the Project:

- (c) Goods, works and services financed have been procured in accordance with the relevant financing agreements including specific provisions of the ADB Procurement Policies and Procedures.
- (d) The expenditures submitted to ADB are eligible for financing and all necessary supporting documents, records, and accounts in support of Credit withdrawals have been adequately maintained with clear linkages between the books of account and reports presented to ADB;
- (e) Funds disbursed through SOEs were utilized for the purposes defined in the funding agreements. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor; and
- (f) Designated Accounts (imprest account and sub-accounts, if used) have been maintained in accordance with the provisions of the relevant financing agreements and funds disbursed out of the Accounts were used only for the purpose intended in the financing agreement.

9. **Accounting Policies and Changes:** The auditor should comment on the project's accounting policies, and confirm the extent to which the agreed project accounting policies (see Terms and Definitions in Annex 1) have been applied. In particular, the auditor should note the impact on the APFS arising from any material deviations from the agreed accounting standards. The auditor should also comment on any accounting policy changes, either during a financial year, or from one year to another.

10. **Compliance with laws, regulations and funding agreements:** The auditor should be aware of the unique characteristics of the compliance auditing environment. Governments and not-for-profit organizations differ from commercial enterprises in that they may be subject to diverse compliance requirements including its compliance with financial covenants and financial assurances. Management is responsible for ensuring compliance with relevant laws, regulation and funding agreements. That responsibility encompasses the identification of applicable laws, regulations and funding agreements and the establishment of internal control designed to provide reasonable assurance that the auditee complies with those laws, regulations and funding agreements.

11. In addition to the opinion on the FSs, the auditor should provide an opinion on whether the auditee complied with laws, regulations and provision of contracts or funding agreements that have a direct and material financial effect on the entity's financial statements. Where applicable, the auditor should prepare a report with separate schedule of findings and questioned costs. The scope of the audit should also refer to compliance with the Procurement procedures as set out in the funding agreements.

12. **Responsibility to Consider Fraud in an Audit:** The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and with management. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. It is the responsibility of those charged with governance of the entity to ensure, through oversight of management, that the entity establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws, regulations and funding agreements.

13. In addition management is responsible for establishing a control environment and maintains policies and procedures to assist in achieving the objectives of ensuring the orderly and efficient conduct of the entity's business. Therefore, in order to ensure that those assertions are addressed in the audit of the entity, it is important that ISA 240 "The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements" be followed.

14. In addition to the opinion on the financial statements and opinion on compliance, the auditor should provide an additional opinion on the effectiveness of internal control over compliance requirements that could have a direct and material financial effect on the financial statements as well as financial reporting.

#### IV. AUDIT REPORT

15. **Audit Report:** The auditor will issue the Auditor reports on the APFS<sup>29</sup> and the auditors' reports on the APFS should include at least the following:

- (a) the audit report will state the purpose of the report and its intended use,
- (b) the audit report will state which/whose generally accepted accounting standards have been applied and indicate the effect of any deviations from those standards,
- (c) the audit report will state that the audit was conducted in accordance with ISAs,
- (d) the audit opinion will cover the current period and compare the achievement with the overall periods,
- (e) the audit opinion will state whether or not the financial statements presents fairly in accordance with the adopted accounting policies for the specified program /project and that the funds were utilized for the purposes defined by the funding agreements (and the separate grant agreement if cofinancing is included; preferably a joint funding agency agreement on common accounting and reporting requirements will have been signed),
- (f) the audit opinion will cover in all material respects the supporting schedules, including those noted above,
- (g) the auditor should provide an opinion on whether the auditee complied with applicable laws, regulations and the Procurement procedures and other provisions of the funding agreements that have a direct and material financial effect on the entity's financial report (audit report on the project financial statements only), and
- (h) the auditor should provide an opinion on the effectiveness of internal control over compliance with requirements that could have a direct and material financial effect on the financial statements as well as internal control over financial reporting.

#### V. MANAGEMENT LETTER

16. In addition to the audit report, the auditor will prepare a management letter, in which the auditor will:

- (a) Give comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- (b) Identify specific deficiencies or areas of weakness in the accounting and internal control systems that were identified during the audit, and make recommendations for their improvement;
- (c) Also include responses from the EA and IAs to the issues highlighted by the auditor Report on the degree of compliance of each of the financial covenants in

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<sup>29</sup> This is only for APFS. The auditor reports on the entity Financial statements is prepared separately

- the financing agreement and give comments, if any, on internal and external matters affecting such compliance; and provide recommendations for improvement;
- (d) Communicate matters that have come to the auditor's attention during the audit which might have a significant impact on the implementation of the project;
  - (e) Give comments on the extent to which outstanding issues/qualifications issues have been addressed;
  - (f) Give comments on the status of significant matters raised in previous management letters; and on previous audits' recommendations that have not been satisfactorily implemented;
  - (g) Give comments on significant matters that the auditor considers should be brought to ADB's attention and any other matters that the auditor considers pertinent, including ineligible expenditures
  - (h) Include responses from the EA and IAs to the issues highlighted by the auditor.
  - (i) Provide practical recommendations on the steps that could be taken to become materially compliant with the *agreed project accounting policies* (see Terms and Definitions in Annex 1), together with a time frame for making these changes;
  - (j) Any other matters that the auditor considers should be brought to the attention of the project's management.

## VI. AVAILABLE INFORMATION

17. The auditor should have access to all legal documents, correspondences, and any other information associated with the project and deemed necessary by the auditor. The auditor will also obtain confirmation of amounts disbursed and outstanding at ADB. Available information should include copies of the relevant: project appraisal document; financing agreement; financial management assessment reports; supervision mission reports and implementation status reports.

## VII. AUDITOR QUALIFICATIONS:

18. **Requirement on the Qualification of Auditing Company and Auditors are as follows:**

- (a) **For Auditing Company:** Be a legal entity with business license granted by the competent authority.
- (b) **For Auditor:** (i) Auditors shall hold relevant professional qualifications<sup>30</sup> with in-depth experience in conducting audits of project financial statements. They should be properly granted with relevant professional license by the Ministry of Finance; (ii) Audit managers shall have at least 8 years' experience while audit seniors who are the team leader shall have at least 5 years' experience and audit assistant shall have at least 2 years' experience in their profession; and (iii) All established procedures and methodology are reliable and in conformity with International Standards on Auditing.

19. **Reporting Requirements:** The audited financial statements including the report should be received by ADB not later than six months after the end of the fiscal year/period to which the audit refers and should be prepared in English and Myanmar languages in 5 hard copies separately for each. The financial statements in English version should be prepared in US\$,

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<sup>30</sup> International auditing qualifications (ACCA, CPA Australia, etc.) should also be considered in evaluating technical audit proposal

while for the Myanmar version should be prepared in Chat (state exchange rate used accordingly).

20. **Reporting relationships:**

- (a) The audit services will be contracted by the Ministry of Hotels and Tourism, Myanmar.
- (b) The estimated time for providing the relevant documents to the auditor should be by 30 April (one month after financial year-end) to ensure that the Auditor can accomplish the audit report can be submitted to ADB by 30 September (the latest, 6 months after the financial year-end).
- (c) The Auditor shall report to the National Project Management Unit, the Ministry of Hotels and Tourism, Myanmar
- (d) The Auditor should maintain and file the work papers and provide them to the Government and/or ADB when requested.

### Annex 1

#### **The Guidance including Terms and Definitions used in this TOR**

1. **TOR template:** The template of this TOR is appropriate for an APFS audit. It should be completed—by the borrower, Executing Agency (EA) or Project Preparatory Technical Assistance (PPTA) consultants—and provided to ADB for comments before fact finding. This template can be applied to the audit of either a revenue-earning or nonrevenue-earning project.

2. **Record Keeping.** The auditor shall 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 APFS. This shall include:

- a) computation and recalculation, including checking the mathematical accuracy of estimates, accounts or records;
- b) reconciliation, including reconciling related accounts to each other, subsidiary records to primary records and internal records to external documents;
- c) physical observation, including inspecting or counting tangible assets, such as materials, inventory, land buildings, property or equipment;
- d) confirmation, including directly confirming balances or transactions with external third parties, such as cash balances, accounts receivable or accounts payable;
- e) sampling, including vouching or examining supporting documentation to determine if balances are properly stated; and
- f) tracing, including tracing journal postings, subsidiary ledger balances, and other details to corresponding general ledger accounts or trial balances.

3. **The Scope:** The auditor should be sufficiently clear with the scope of the audit to properly define what is expected of, but should not restrict the audit procedures or the techniques the auditor may wish to use to form an opinion. The TOR will not generally have to be customized to a particular audit situation. The list of issues outlined in the TOR is not exhaustive, nor should all matters be addressed in every project. The scope and detail of an audit are likely to be unique for each project.

4. The form of the APFS and supporting documentation that will be supplied to the auditor, and on which they are to give an opinion and a report, should be specified. In practice, the form and content of APFS will vary among countries and projects. For instance, the APFS may

comprise a Statement of Receipts and Payments only on project transactions. Other schedules may include cumulative work-in-progress, assets and inventories, and summarized bank reconciliation. The estimated time for providing these documents to the auditor should be stated (e.g., one month after financial year-end). This schedule helps the auditee and the auditor plan for the accounts-preparation and the audit process.

5. **Internal Control Systems.** The auditor shall assess the adequacy of the project financial management systems, including internal controls. The assessment includes whether:

- a) proper authorizations are obtained and documented before transactions are entered into;
- b) accuracy and consistency are achieved in recording, classifying, summarizing and reporting transactions;
- c) reconciliations with internal and external evidence are performed on a timely basis by the appropriate level of management;
- d) balances can be confirmed with external parties;
- e) adequate documentation and an audit trail is retained to support transactions;
- f) transactions are allowable under the agreements governing the project;
- g) errors and omissions are detected and corrected by project personnel in the normal course of their duties, and management is informed of recurring problems or weaknesses;
- h) management does not override the normal procedures and the internal control structure; and
- i) assets are properly accounted for, safeguarded and can be physically inspected.

6. **Statements of Expenditures (SOEs).** The auditor shall audit all SOEs used as the basis for the submission of credit withdrawal applications to ADB. These expenditures should be compared for project eligibility with the relevant financing agreements (and with reference to the Report and Recommendation to the President, RRP, and other project documents for guidance when considered necessary). Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted by the auditor. The annual audit report should include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under SOE procedures, and the extent to which ADB can rely on those SOEs as a basis for credit disbursement. Annexed to the APFS should be a schedule listing individual SOE withdrawal applications by specific reference number and amount.

7. **Designated Accounts:** The Imprest Account reflects: (i) deposits and replenishment received from financiers; (ii) payments substantiated by withdrawal applications; and (iii) the remaining balance at financial year-end. The auditor must form an opinion on whether the Imprest Account(s) and the sub-accounts were used in compliance with required procedures (e.g., those of ADB and other co-financiers), and the fairness of the presentation of each account activity and the year-end balance. The auditor should examine the eligibility and correctness of financial transactions during the period under review, account balances at the end of the period, the operation and use of each account in accordance with the financing agreement, and the adequacy of internal controls for this particular disbursement mechanism. The auditor will examine whether each Account has been maintained in accordance with the provisions of the relevant financing agreements.

8. **Financial Covenants:** The financial covenants that are applicable to projects are included in grant agreements. The Auditor should list, describe and fully reference all applicable financial covenants, review and comment on the compliance.

9. **Compliance with Financial Covenants.** The auditor will confirm compliance with each financial covenant contained in the project legal documents. Where present, the auditor should indicate the extent of any noncompliance by comparing required and actual performance measurements for each financial covenant for the financial year concerned.

10. **Financial Assurances Applicable to Projects:** The financial assurances that are applicable to the EA—such as a commitment to employ suitably-qualified accounting personnel—will be included in project legal documents. The auditor should list, describe and fully reference all applicable financial assurances, review and comment on the compliance.

11. **Compliance with Financial Assurances.** The auditor will confirm compliance with all financial assurances contained in the project legal documents. Where present, the auditor should indicate the extent of any noncompliance by comparing required and actual performance of the Government's executing and implementing agencies in respect of these ADB requirements for the financial year concerned.

12. **Procurement Policies and Procedures:** Review ADB Procurement Guidelines and comment on the compliance of the procurement practices of the project.

13. **Technical Experts:** Depending on the complexity of procurement activities, the auditor may consider involving technical experts during the audit engagement. In cases where such experts are involved, the auditor is expected to comply with provisions of International Standard on Auditing 620: Using the Work of an Expert. Consideration to use of the work of experts should be brought to the early attention of the borrower and the ADB for mutual agreement and appropriate guidance.

14. **Auditor requirements:** The details of the proposed contractor of the auditor's services should be provided. If the contractor is acting on behalf of, or is part of, a larger authority or entity, this should be disclosed, to assist prospective auditors to determine their independence.

15. **Annual Project Financial Statements (APFS):** APFS may comprise a Statement of Receipts and Payments (Cash flow statement). This template is specifically intended for audits of these types of APFS. Other schedules of value or cumulative work-in-progress, assets and inventories and a summarized reconciled bank statement are to be attached. Project reporting requirements will usually be specified in the RRP or project documents including in the grant agreement. The component parts of the APFS should be specified in this TOR. The APFS comprises:

**[Option A: Generally IAS-compliant Accrual-based Financial Statements]:**

- Statement of Accounting Policies
- Statement of Financial Performance (or income statement)
- Statement of Financial Position (or balance sheet)
- Statement of Movements in Equity
- Statement of Cash Flows
- Notes to the Financial Statements
- Statement of Uses of Funds by Project Activity
- Other Information (Specify)

**[Option B: Other Financial Reports]:**

- Statement of Accounting/Financial Policies
- Statement of Income/Cash Receipts

- Statement of Expenses/Cash Payments
- Statement of Cash Flows/Cash Receipts and Payments
- Statement of Uses of Funds by Project Activity
- Notes to the Financial Statements ,and Other Information (Specify)

16. APFS should include: (a) a summary of funds received showing ADB funds, any co-financing and counterpart funds separately; (b) a summary of expenditures shown under the main project components, allocation of grant proceeds, procurement plan, and by main categories of expenditures (as referenced in grant and appraisal documentation) for the year ending 31 March 201\_ and cumulative expenditures on the project to date; and (c) statement of fund balance as of 31 March 201\_, and the following fiscal years (use the actual fiscal year of each country for each annual audit report).

Note: The Project will use Option B

17. **Agreed Project Accounting Policies:** The project accounting policies that govern APFS preparation will normally be agreed and documented in the RRP and/or grant agreement. Choose the appropriate option. “Agreed project accounting policies” with regard to preparation of Annual Project Accounts, means:

- a. **[Option A: Cash-based International Public Sector Accounting Standards]** the cash-based International Public Sector Accounting Standard (IPSAS) promulgated by the International Federation of Accountants (IFAC).
- b. **[Option B: Accrual-based International Public Sector Accounting Standards]** the accrual-based International Public Sector Accounting Standards (IPSAS) promulgated by the International Federation of Accountants (IFAC).
- c. **[Option C: International Accounting Standards]** the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) (also known as international accounting standards).
- d. **[Option D: National Accounting Standards]** the accounting standards issued by [national authority].
- e. **[Option E: Modified National Accounting Standards]** the accounting standards issued by [national authority], with the following modifications and/or additional disclosures:
- f. **[Option F: Specific Government Accounting Standards]** describe these standards.

Note: The Project accounting policies will use the specific government standards (derived from the British’s accounting standards)

18. **Applicable agreed auditing standards:** The agreed auditing standards will normally be documented in the RRP, grant agreement, and/or other project documents. Choose the appropriate option. “Agreed auditing standards” means:

- a) **[Option A: International Standards on Auditing]** the International Standards on Auditing (ISA) promulgated by the International Auditing and Assurance Standards Board (IAASB). The auditor shall review the following ISAs:
  - ISA 240: Auditor’s Responsibility to Consider Fraud in an Audit of Financial statements;\_ISA 200: Overall Objectives of Independent Auditors, and the Conduct of an Audit the Entity in Accordance with ISA:
  - ISA 210: Agreeing the terms of audit engagements
  - ISA 220: Quality control for an Audit of FSs.

- ISA 315: Identifying and Assessing the Risks of Material Misstatements through Understanding the Entity and its Environment
- ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements:
- ISA 260: Communication of Audit Matters with Those Charged with Governance -
- ISA 330: The Auditor's Procedures in Response to Assessed Risks
- ISA 402: Audit Considerations Relating to an Entity Using a Service Organization
- ISA 580: Written Representations
- ISA 620: Using the Work of an Expert.

- b) **Option B: INTOSAI Auditing Standards]** the auditing standards promulgated by the International Organization of Supreme Audit Institutions (INTOSAI).
- c) **[Option C: National Auditing Standards]** the auditing standards promulgated by [national authority].

19. **Different standards:** if the auditing standards which auditors shall comply with to conduct audit procedures and express their opinions on the FS, the statement on compliance and the statement on effectiveness of the internal control system are different, the auditor shall disclose the differences including the implications in its reports.

Note: In principle, the auditor will apply the international standard of auditing (ISA). The auditor shall disclose the differences including the implications in its reports.

## Annex 2

### Project Background, Executing and Implementing Agencies

**A. The Project to be Audited:**

1. Project No: 48322-001
2. Grant No. \_\_\_\_\_
3. Project Name: Economic Empowerment of the Poor and Women in the East - West Economic Corridor
4. Executing Agency: The Ministry of Hotels and Tourism
5. Implementing Agencies: The Office of the Chief Minister for Mon State
6. Total Project Costs: \$ 3.452 million (from all financiers, excluding in kind contribution)

**B. Project Description:** Describe the project here in the context of its contribution to achievement of the EA's economic goals. The auditor must understand the "purpose for which the funds are intended" in the context of the broad project objectives as well as in terms of the specific project budget.

**C. The Executing- and the Implementing Agencies (EAIAs):** A detailed description—both legal and generally informative—should be provided here to enable the auditor to understand fully the nature, location and objective of the executing- and implementing agencies (EAIAs), the entities under audit. Geographic characteristics should be described, together with:

- (a) organization charts;
- (b) names of senior managers;
- (c) name and qualification of the person(s) responsible for financial management, accounting and internal audit;
- (d) name and address of any existing external auditor;

- (e) computing or other data processing facilities in use;
- (f) a copy of the latest published financial statements; if applicable; and
- (g) internal facilities (if any) available to an external auditor (e.g., office accommodation, calculators, computer facilities). A general summary of the financial management assessment of the EA/IAs should be included, together with a reference that the full financial management assessment will be made available to the auditor;

**D. Accounting and Financial Management Practices:** Briefly summarize relevant accounting and financial management practices. Various diagnostic reports are available that describe accounting and financial management practices (e.g., ADB Diagnostic Studies of Accounting and Auditing, World Bank Country Financial Accountability Assessments). Emphasis should be placed on issues raised and risks identified in these reports.

### Annex 3

#### Funds provided by ADB and its co-financiers

Please complete the following tables:

#### 2.1. Funds Allocation by Components

No	Item	Amount (\$)	%
<b>A. Base Cost</b>			
1			
2			
3			
4			
5	Subtotal (A)		
<b>B. Contingencies</b>			
<b>C. Financing Charges During Implementation</b>		0	
Total (A+B+C)			

#### 2.2. Funds Allocation by Financing Plan

No	Source	Amount (\$)	Share of Total (%)
1	Asian Development Bank	10,000,000	
2			
3			
4			
5			
	Total		

#### 2.3. Allocation of ADB Grant Proceeds

No	Items	Amount Allocated		ADB Financing
		Category	Sub-category	Percentage and Basis for Withdrawal from the Grant Account



### **Involuntary Resettlement and Indigenous People Safeguards Guidelines**

The Project is categorized C for involuntary resettlement (IR) and B for Indigenous People (IP) impacts as per Operations Manual F1/ADB's Safeguard Policy Statement, 2009 (SPS). Any civil works or infrastructure upgrading that may cause any involuntary resettlement or land acquisition or indigenous people impacts will not be eligible to be financed under the grant. Any component that may cause any involuntary resettlement or forced land acquisition will not be eligible to be financed under the grant. For minor land requirements required for the subproject under output 3, means to acquire the land is using available government land (with no IR impacts). Due diligence during the project implementation prior to any civil works shall confirm (i) the project will not entail further land acquisition; (ii) that where land is available, such lands are free from encumbrances; and (iii) there are no past or existing land and resettlement issues in regard to existing facilities.

The project is primarily focused on training and capacity building for the rural poor. Both the project areas have a high presence of ethnic minority groups who are the primary project beneficiaries and are the overwhelming majority. Hence it meets the criteria of integration of IP elements into the project design. Pre-identification of villages (to be confirmed during project implementation) with people from Mon and Karen groups who will be the overwhelming majority of the beneficiaries with other ethnic groups. Consultation and participation will be continued throughout the project cycle to ensure their involvement in linkages to micro finance providers to access credit, training and other project activities.

In order to ensure compliance with ADB's SPS, the Ministry of Hotels and Tourism as executing agency will ensure social safeguards compliance under the project and provided with the required fund and resources (i.e. staff). A set of criteria and screening procedures for eligible civil works or infrastructure upgrading will be established and specific requirements for land will be set up and implemented by the Project Implementation Unit (PIU). Social safeguards compliance monitoring will be included in the regular project progress report and submitted to ADB.

Criteria and screening procedures for IR and IP safeguards compliance are:

1. No civil works or infrastructure upgrading shall cause any IR and IP impacts. Specific screening check list is included in this guideline. The PIU will prepare the check list for each civil works or infrastructure upgrading to be confirmed by the assigned staff of PMU prior to submission for financing. Priority should be given to civil works or infrastructure upgrading which will not involve additional land requirements.
2. Land acquisition will not cause:
  - a. Involuntary resettlement of the formal or informal land users, squatters or encroachers of the land
  - b. Dispossession of assets belonging to the ethnic minority and/or vulnerable groups
  - c. Significant loss of assets or source of income/ livelihood of the owner of the donated assets/lands.
3. When government land is being used, it has to confirm with the IR and IP screening checklist for the civil works or infrastructure upgrading to be eligible for grant financing
4. Under any circumstances, the grant fund must not be used for purchasing of land for implementation of civil works or infrastructure upgrading.

To ensure policy compliance of the project the assigned staff in PIU for safeguards issues should:

1. Receive adequate training on ADB SPS and how to conduct the safeguards screening procedures,
2. Conduct the required consultations with the all project beneficiaries on the project activities and safeguards requirements,
3. Provide training to the implementing partners and PIU members on the ADB safeguards principles and civil works or infrastructure upgrading screening procedures,
4. Regularly monitor the project compliance on safeguards policy and prepare a report to PMU for submission to ADB,
5. Be equipped with the necessary facilities to conduct the training and monitoring activities.

### IR and IP Screening Checklist

#### INVOLUNTARY RESETTLEMENT & INDIGENOUS PEOPLE CHECKLIST (Due Diligence Activity)

#### A. Introduction

**1. Each subsection/ section needs to be screened for any involuntary resettlement (IR) and/or indigenous people (IP) impacts which will occur or already occurred. This screening determines the eligibility of the civil works or infrastructure upgrading to be financed under the Grant.**

#### B. Information on subsection/ section:

- a. **District/ Administrative Name:** \_\_\_\_\_
- b. **Location (km):** \_\_\_\_\_
- c. **Civil work dates (proposed):** \_\_\_\_\_
- d. **Technical Description:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### C. Screening Questions for Involuntary Resettlement & Indigenous People Impact

**2. Below is the initial screening for IR and IP impacts and due diligence exercise. Both permanent and temporary impacts must be considered and reported in the screening process.**

Type of Impacts	Yes	No	Remarks
Will it require permanent and/or temporary <u>involuntary</u> land acquisition?			If yes, the civil works or infrastructure upgrading is not eligible for project financing and must be dropped from the list of proposed projects.
Is the ownership status and current usage of the land known?			If no, further clarification of the owner of the land is required
Are there any non-titled people who live or earn their livelihood at the site or within the corridor of impact (COI) / Right of Way (ROW)?			If yes, the civil works or infrastructure upgrading is not eligible for project financing and must be dropped from the list of proposed projects.

Type of Impacts	Yes	No	Remarks
Will there be loss of agricultural plots?			If yes, the civil works or infrastructure upgrading is not eligible for project financing and must be dropped from the list of proposed projects.
Will there be losses of crops, trees, fixed assets (i.e. fences, pumps, etc.), incomes or livelihood?			If yes, the civil works or infrastructure upgrading is not eligible for project financing and must be dropped from the list of proposed projects.
Will people lose access to facilities, services, or natural resources?			If yes, the civil works or infrastructure upgrading is not eligible for project financing and must be dropped from the list of proposed projects.
Will any social or economic activities be affected by land use-related changes?			If yes, the civil works or infrastructure upgrading is not eligible for project financing and must be dropped from the list of proposed projects.
Will the proposed subproject involve the transfer, reallocation or use of assets/ resources owned/managed/ used by ethnic minority or vulnerable groups in the project site?			If yes, the civil works or infrastructure upgrading is not eligible for project financing and must be dropped from the list of proposed projects.

#### D. Summary of Impacts

3. After reviewing the answers above, PMU/PIU Team confirm that the assigned/ proposed subsection/ section is

Has involuntary resettlement (IR) and Indigenous People (IP) (negative) impacts, the proposed civil works or infrastructure upgrading is ineligible for project financing

Has no IR nor IP impact, the proposed civil works or infrastructure upgrading is eligible for project financing

Prepared By:	Verified by:
Signature:	Signature:
Name:	Name:
Position:	Position:
Date:	Date:

### Gender Action Plan Monitoring Report Template

Gender Action Plan (GAP Activities, Indicators and Targets, Timeframe and Responsibility)	Progress to Date <small>(This should include information on period of actual implementation, sex-disaggregated qualitative and quantitative updates (e.g. number of participating women, women beneficiaries of services, etc.). However, some would be in process - so explain what has happened towards meeting this target.</small>	Issues and Challenges <small>(Please include reasons why an activity was not fully implemented, or if targets fall short, or reasons for delay, etc.)</small>
<b>Output 1:</b>		
<b>Output 2:</b>		
<b>Output 3:</b>		
<b>Output 4:</b>		

## **Guidelines and Template for Project Progress Reports**

### **A. Introduction and Basic Data**

For quarterly progress reports, provide the following:

- ADB grant number, project title, borrower, executing agency(ies), implementing agency(ies);
- total estimated project cost and financing plan;
- status of project financing including availability of counterpart funds and cofinancing;
- dates of approval, signing, and effectiveness of ADB grant;
- original and revised (if applicable) ADB grant closing date and elapsed grant period based on original and revised (if applicable) grant closing dates; and
- date of last ADB review mission.

### **B. Utilization of Funds (ADB Grant, Cofinancing, and Counterpart Funds)**

Provide the following:

- cumulative contract awards financed by the ADB grant, cofinancing, and counterpart funds (commitment of funds to date), and comparison with time-bound projections (targets);
- cumulative disbursements from the ADB grant, cofinancing, and counterpart funds (expenditure to date), and comparison with time-bound projections (targets); and
- re-estimated costs to completion, need for reallocation within ADB grant categories, and whether an overall project cost overrun is likely.

### **C. Project Purpose**

Provide the following:

- status of project scope/implementation arrangements compared with those in the report and recommendation of the President (RRP), and whether major changes have occurred or will need to be made;
- an assessment of the likelihood that the immediate development objectives (project purpose) will be met in part or in full, and whether remedial measures are required based on the current project scope and implementation arrangements;
- an assessment of changes to the key assumptions and risks that affect attainment of the development objectives; and
- other project developments, including monitoring and reporting on environmental and social requirements that might adversely affect the project's viability or accomplishment of immediate objectives.

### **D. Implementation Progress**

Provide the following:

- assessment of project implementation arrangements such as establishment, staffing, and funding of the PMO or PIU;
- information relating to other aspects of the EA's internal operations that may impact on the implementation arrangements or project progress;
- progress or achievements in implementation since the last progress report;
- assessment of the progress of each project component, such as,

- recruitment of consultants and their performance;
- procurement of goods and works (from preparation of detailed designs and bidding documents to contract awards); and
- the performance of suppliers, manufacturers, and contractors for goods and works contracts;
- assessment of progress in implementing the overall project to date in comparison with the original implementation schedule—quantifiable and monitorable target, (include simple charts such as bar or milestone to illustrate progress, a chart showing actual versus planned expenditure, S-curve graph showing the relationship between physical and financial performance, and actual progress in comparison with the original schedules and budgets, the reference framework or guidelines in calculating the project progress including examples are shown in Appendix 2); and
- an assessment of the validity of key assumptions and risks in achieving the quantifiable implementation targets.

#### **E. Compliance with Covenants**

Provide the following:

- compliance with policy grant covenants such as sector reform initiatives and EA reforms, and the reasons for any noncompliance or delay in compliance;
- the EA's compliance with financial grant covenants including the EA's financial management, and the provision of audited project accounts or audited agency financial statements; and
- the EA's compliance with project-specific grant covenants associated with implementation, environment, and social dimensions.

#### **F. Major Project Issues and Problems**

Summarize the major problems and issues affecting or likely to affect implementation progress, compliance with covenants, and achievement of immediate development objectives. Recommend actions to overcome these problems and issues (e.g., changes in scope, changes in implementation arrangements, and reallocation of grant proceeds).

This document is available at:

<http://lnadbg1.asiandevbank.org/cos0003p.nsf/f47286b4d1eb6e9b482569e500308fb9/49dbc302076f92b148256b45001165b8!OpenDocument>

**For Each Project Activity a Proposal and Report**

**Ministry of Hotels and Tourism, Myanmar  
Japan Fund for Poverty Reduction: Economic Empowerment of the Poor and Women  
in the East-West Economic Corridor**

*(add MOHT and JFPR logos)*

**Project Activity Proposal**

**Title of Activity:**

**Date(s):**

**Objective/Justification:**

**Location:**

**Implementing personnel/partner:**

**Participants:**

**Methodology:**

**Budget:**

**Subcontract:**

**Remarks:**

**List of attachments:**

- a. detailed budget
- b. schedule/agenda
- c. *other attachments as appropriate*

**Recommendations/actions:**

Prepared by:

Approved by:

**Ministry of Hotels and Tourism, Myanmar  
Japan Fund for Poverty Reduction: Economic Empowerment of the Poor and Women  
in the East-West Economic Corridor**

*(add MOHT and JFPR logos)*

**Project Activity Report**

**Title of Activity:**

**Date(s):**

**Location:**

**Implementing personnel/partner:**

**Methodology:**

**Outcome:**

**Lesson learned:**

**Actual budget expenditures:**

**Subcontract:**

**Remarks:**

**Attachments:**

- a. Detailed list of expenditures
- b. list of participants in workshops
- c. related technical materials/notes
- d. *others (list as appropriate)*

**Recommendations/follow-up actions:**

Prepared by:

Approved by:

## **Framework and Guidelines in Calculating Project Progress**

### **A. Introduction**

1. To ensure that all implementation activities are reflected in measuring implementation progress against the project implementation schedule, the term "physical completion" in the PPR has been changed to "project progress."

2. Physical and precommencement activities are considered in calculating project implementation progress. These activities, which may include recruitment of consultants, capacity building, detailed design, preparation of bid and prequalification documents, etc., could constitute a significant proportion of overall implementation and therefore should be counted.

3. Each activity in the implementation schedule will be weighted according to its overall contribution (using time as a reference) to progress of project implementation. These weights will then be used to calculate the percentage of project progress along the entire time span of the project. This is to provide a holistic view of the pace of implementation.

### **B. Framework for Compiling Activity List and Assigning Weights**

4. As implementation activities and their corresponding weights will vary according to the type of project, sector, and country. . The actual project implementation progress of these activities should be reported regularly through the EA's quarterly project progress report. To ensure ADB-wide consistency, the following framework has been established; its application will be monitored through the PPR.

#### **1. Compilation of Activity List**

5. Identify major implementation activities and include them in the implementation schedule, which is attached as an appendix in the report and recommendation of the President (RRP). The implementation schedule should follow the critical path of the project's major activities in project implementation taking account of various country, sector, and project constraints.

#### **2. Assignment of Weights**

6. Corresponding weights for each activity should be assigned to ensure that "project progress" measures the percentage of achievement (nonfinancial except when the project has credit components) for all events during the entire duration of the implementation schedule. To avoid disproportionate assignment of weights, to the extent possible these should be evenly distributed along the implementation schedule. When activities are concurrent, avoid "double counting."

#### **3. Computation of Project Progress**

7. Once all activities are identified and corresponding weights assigned, project progress should be calculated using the following steps:

- (i) Determine the actual percentage progress (nonfinancial) of each activity.
- (ii) Multiply these percentages by the assigned weight of each activity to arrive at the weighted progress.
- (iii) Add up the resulting weighted progress of all activities to determine the project progress.

Page 3 of this Appendix provides an illustration of this calculation using a generic sample implementation schedule and this Appendix, page 4 a specific example in the education sector.

Sample Table for Calculating Weighted Project Progress

Activities	Year 1	Year 2	Year 3	Year 4	(a) Assigned Weight	(b) Actual Progress	(a) x (b) Weighted Progress
Establish PIU	█				5%	100%	5%
Establish Accreditation Board, etc.	█				5%	0%	0%
Appoint Staff and Budget	█				4%	75%	3%
Adopt Architecture Plans	█				2%	100%	2%
Shortlist Consulting Firms	█				6%	100%	6%
Prepare Fellowship Program		█			6%	75%	4%
Prepare Civil Works Tendering		█			30%	0%	0%
Civil Works: Classrooms, Dorms, etc.		█	█	█	6%	0%	0%
Procurement of Furniture and Equipment				█	16%	10%	2%
Field Work of Consultants		█	█		7%	0%	0%
Provide Fellowships				█	6%	0%	0%
Conduct Study Tours			█		6%	0%	0%
Provide Curriculum Standards				█	6%	0%	0%
				Total Weight	100%		
				Imp. Progress			24%

(a) As signed weight for each activity

(b) Actual progress of each activity

(a) x (b) weighted progress for each activity

Project progress = sum of all weighted progress for each activity

This document is available at:

<http://lnadbg1.asiandevbank.org/cos0003p.nsf/f47286b4d1eb6e9b482569e500308fb9/49dbc302076f92b148256b45001165b8!OpenDocument>

## Grant Status Report Template

### Japan Fund for Poverty Reduction (JFPR)

#### 1. GRANT STATUS REPORT

**(Note: To be received by OCO within one month after the end of the reporting period)**

<b>A. Basic Grant Data</b>	<b>DMC:</b>
<b>Grant Number:</b>	<b>Name of Grant:</b>
<b>Approved Grant Amount:</b> \$	<b>Responsible Project Officer and Division</b> {name, position, e-mail, phone}:
<b>Grant Commencement Date</b> (Date LoA was signed):	<b>Original Closing Date / Revised Closing date</b> (after extension):
<b>Executing Agency</b> {Names, Address, Contact Persons, E-mail, Phone, Fax}:	
<b>Implementing Agency(ies)</b> {Names, Address, Contact Persons, E-mail, Phone, Fax}:	

<b>B. Grant Status</b>	<b>Period of Reporting</b> {date from/to}:				
	<b>Date when this report was prepared:</b>				
<b>General Status</b> (Summary)	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E<sup>31</sup></b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> <b>Specify:</b> _____
<b>Grant Development Objective:</b>					
<b>Grant Components</b>	<b>Targeted/Expected Output</b>	<b>Physical Accomplishments</b>		<b>Notes - Remarks:</b>	
		(%)	<b>Rating<sup>32</sup></b> (HS,S,PS,U)		

<sup>31</sup> A = Financially Closed; B = Implementation already started or is ongoing; C = LOA signed but implementation has not started yet; D = ADB Approved but LOA not yet signed; E = Others, (please briefly specify, e.g. extension, or issues that need to be flagged)

<sup>32</sup> HS=Highly Satisfactory, S=Satisfactory, PS=Partly Satisfactory, U=Unsatisfactory


**C. Grant Utilization**

<b>Grant Committed:</b> \$	<b>Cumulative Disbursements:</b> \$	<b>Balance:</b> \$	<b>Notes - Remarks:</b>	
<b>Annual Disbursements (from ADB to Grant Accounts):</b>				
	<b>1<sup>st</sup> Qtr.</b>	<b>2<sup>nd</sup> Qtr.</b>	<b>3<sup>rd</sup> Qtr.</b>	<b>4<sup>th</sup> Qtr.</b>
<b>Projected:</b>	\$	\$	\$	\$
<b>Actual:</b>	\$	\$	\$	\$

<b>Procurement of Goods and Services:</b>	<b>Goods</b>		<b>Services</b>		<b>Notes - Remarks:</b>
	<b>No. of contracts</b>	<b>Total Amount</b>	<b>No. of Contracts</b>	<b>Total Amount</b>	
<b>Contracts Awarded:</b> <b>Outstanding Contracts:</b>					

**D. Major Issues / Problems** {please add extra sheet if necessary}

<b>Problems / Issues</b>	<b>Action Taken / Proposed</b>

<b>Prepared By:</b>	<b>Name / Division / Signature</b>	<b>Comments</b>
<b>Project Officer:</b>		

<b>Cleared By:</b>	<b>Name/Division/Signature</b>	<b>Comments</b>
<b>1. Director General:</b>		
<b>2. Director:</b>		

## Financial Reporting and Audit Requirements and Guidelines

PAI No. 5.07

Issued on December 2001

Revised on June 2012

### A. Introduction

1. Article 14(xi) of the *Agreement Establishing the Asian Development Bank* (the Charter) requires ADB to take necessary 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 granted and with due attention to considerations of economy and efficiency.<sup>33</sup> In addition, Article 14(xiv) of the Charter requires ADB to be guided by sound banking principles in its operations.

2. To fulfill these requirements of the Charter, ADB requires borrowers to annually submit annual audited project financial statements and the related audit reports, and management letters, and where applicable an independent entity's audited financial statements, audit report and management letter.<sup>34</sup>

3. ADB requires that borrowers' financial management and reporting systems to be adequate to generate reliable financial data relevant to each ADB financed operation, including the review and audit thereof.<sup>35</sup>

4. The project administration instruction (PAI) applies to: investment activities that have been undertaken with support from project, sector, and technical assistance loans; nonsovereign financing; sector development programs and policy based loans which have discrete and identifiable investment components; financial intermediary loans; and project design advances under the project design facility.<sup>36</sup>

5. ADB's Public Communications Policy (PCP) 2011,<sup>37</sup> provides that for sovereign projects for which the invitation to negotiate is issued on or after 2 April 2012, ADB shall publicly disclose the annual audited project financial statements and the auditor's opinions for these financial statements.

### 1. Communicating ADB Financial Reporting and Audit Requirements

6. ADB's financial reporting and auditing requirements, including public disclosure, should be adequately communicated in national-level discussions to the borrower and supreme audit

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<sup>33</sup> The above requirements also apply to ADB grant financing.

<sup>34</sup> See Operations Manual (OM) Section J7 (Project Financial Reporting and Auditing) for definition of terms and policy requirements.

<sup>35</sup> See OM Section G2 (Financial Management Systems, Financial Analysis, and Financial Performance Indicators) for a definition of financial management. Where appropriate, ADB should consider capacity development assistance to address financial management risks.

<sup>36</sup> This PAI is applicable to all projects that are active, under preparation, and subject to the PCP audit disclosure requirements and projects under preparation coincidentally with the effectiveness of the PCP on 2 April 2012. As audit arrangements for active projects for the current fiscal year have been made, on a project-by-project basis agreement will be documented in an aide memoire or memorandum of understanding with each EA on when relevant requirements will be applied.

<sup>37</sup> See OM Section L3 (Public Communications).

institution (SAI) with agreed arrangements set forth in a memorandum of understanding or aide-memoire.<sup>38</sup>

7. Project financial reporting and auditing requirements should be discussed during project processing at the project identification stage. By the end of the fact-finding mission, the borrower and the ADB project team leader (PTL) should agree on the form, content, and timing of submissions to meet ADB's financial reporting, including progress reporting,<sup>39</sup> requirements. These arrangements should be set forth in the memorandum of understanding or aide-memoire for the mission and the project administration manual (PAM).<sup>40</sup> During implementation, project financial reporting and auditing requirements detailed in the PAM should be reviewed with project officials, particularly after a change in personnel.

## 2. PAI Content

8. This project administration instruction (PAI) covers the following: Section B covers ADB's financial reporting and auditing requirements including project financial reporting, auditing of annual project and independent entity financial statements, selection of auditors, and a SAI. Section C covers monitoring compliance with ADB requirements including reporting periods; acceptability of annual project financial statements, and review of an audit report, a management letter, and an independent entity's annual financial statements; communicating review results; and unaudited interim project financial statements.<sup>41</sup>

9. Sample project financial statements, management and audit letters, audit terms of reference, review checklists for ADB staff etc., are provided in technical guidance notes.<sup>42</sup>

## B. ADB's Requirements

### 1. Annual Project Financial Reporting

#### a. Basic Requirements

10. ADB requires that ADB funds and ADB-administered external funds from financing partners be used appropriately and only for the intended purposes. To this end, ADB requires submission of the annual audited project financial statements, the audit report and management letter for each financial reporting period (fiscal year) from the date of loan effectiveness until the loan account's financial closing on ADB's record of loan account. The audit report includes the auditor's opinion on whether the financial statements show a true and fair view. The auditor should also provide opinion(s) on the use of the loan proceeds and compliance with the financial covenants of the legal agreement as well as on the use of the procedures for the imprest account(s) and statement of expenditures (where applicable).

11. When an independent entity's annual financial statements are subject to audit under the DMC's statutory or regulatory requirements, the borrower or EA will submit to ADB the audited

<sup>38</sup> Meetings should be scheduled to reach agreement with borrowers and SAIs on applying ADB's public disclosure and this PAI's requirements. The agreement should be monitored by the borrower and ADB, and discussed as required in, for example, annual country portfolio review missions.

<sup>39</sup> PAI 5.01 (Executing Agencies Project Progress Reporting) details the requirements regarding the provision of unaudited financial statements with EA progress reports.

<sup>40</sup> This could be a facility administration manual (FAM) where a FAM is used for one or more periodic financing request ("tranche") of a multitranche financing facility.

<sup>41</sup> Technical advice on this PAI will be provided by the Regional and Sustainable Development Department (RSDD).

<sup>42</sup> See for example the ADB. 2006. *Handbook for Borrowers on the Financial Management and Analysis of Projects*. RSDD will revise this handbook and prepare a similar handbook for ADB staff guidance after approval of this PAI.

financial statements within one month of their approval by the relevant authority.<sup>43</sup> In this case, the audited financial statements should be for each reporting period (fiscal year) from the date of loan effectiveness until the loan account's financial closing on ADB's record of loan account. When such is not required, ADB will not require an audit to be conducted.

12. The audit should be conducted in accordance with auditing standards acceptable to ADB<sup>44</sup> and carried out by independent auditors acceptable to ADB. The audit should relate to the whole project, not just to the ADB-financed portion.

13. A complete set of annual audited project financial statements should be provided by the borrower to ADB, together with the audit report (which includes the auditor's opinion as described in para. 25 below) and management letter.

#### **b. Form of Annual Project Financial Statements**

14. The annual project financial statements should be prepared on the cash basis of accounting and include (at a minimum) cash-based receipt and expenditure payments statements

15. Annual project financial statements should normally be presented in the local currency, with the basis for conversion of any foreign exchange transactions or commitments explicitly stated.

16. The annual project financial statements should be presented in the English language and should reflect the operations supported by ADB financing, including ADB-administered funds.

17. The project cash payments should be presented following the expenditure categories contained in the legal agreement and/or the PAM, and revisions thereto.

18. The annual project financial statements should include comparative figures for the preceding reporting year and cumulative figures from the loan effectiveness date to the end of the current reporting year. For projects that receive funding from other sources, the annual project financial statements should include all sources of funds (both ADB-provided and otherwise).

19. The accompanying Notes to Financial Statements should provide sufficient explanation and information on the financials in narrative form or appropriate supporting schedules, including description of key financial reporting policies.

20. For projects where separate and distinct components are being administered by the EA and/or several implementing agencies (IAs) each agency should prepare separate project financial statements reporting on the funds they are administering. During project processing the PTL and the EA should agree on appropriate financial reporting arrangements including the preparation of consolidated project financial reports.

21. Financial statements for independent entities should be prepared in accordance with national accrual based financial reporting standards. Annual financial statements may combine

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<sup>43</sup> The timeframe for submission will be agreed in the financial management assessment conducted during project processing and set forth in the legal agreement and/or project administration manual as appropriate.

<sup>44</sup> Auditing standards acceptable to ADB are detailed in OM/BP Section J7.

financial transactions of a project with those of the independent entity such as: (i) where the entity has been established solely for purposes of developing the project; and (ii) the project may be of significance relative to the independent entity's operations.<sup>45</sup> In these cases, the annual project audited project financial statements may be incorporated within the independent entity's financial statements, provided the statements explicitly describe the financial status and performance of the project for the current reporting year, the previous year, and from the date of effectiveness.<sup>46</sup>

22. The agreed financial reporting and auditing arrangements will be set forth in the legal agreement and detailed in the PAM.<sup>47</sup>

### **c. Public Disclosure Requirements**

23. Consistent with ADB's PCP 2011, ADB will agree with the borrower on a country-specific basis,<sup>48</sup> the procedures to disclose the annual audited project financial statements (including the audit report on the financial statements) for sovereign projects. The management letter will not be disclosed. The agreed arrangements will be incorporated into legal agreements. In general, such audited project financial statements and the audit report will be disclosed within 30 calendar days of receipt by ADB. Country specific circumstances that could affect the timing of disclosure will be agreed during either country level discussions with ADB or project processing and documented in the PAM as appropriate.

### **d. Audit Report**

24. The auditors are engaged to provide an independent and objective opinion on whether the financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework. The auditors should also form an opinion based on an evaluation of the conclusions drawn from the audit evidence obtained, and clearly express that opinion through a written report that also describes the basis for that opinion.<sup>49</sup> The auditor's opinion is necessary to establish the credibility, or otherwise, of the project financial statements.

25. The auditor should also provide opinion(s) covering:

- (i) Use of loan proceeds. ADB requires that the auditor confirms whether loan proceeds were used only for the purposes of the project or not.
- (ii) Compliance with financial covenants. The auditor is required to confirm the level of compliance for each financial covenant contained in the legal agreement for the project. The auditor should also indicate, where applicable, the extent of any noncompliance, by reference to the specified (required) and actual performance

<sup>45</sup> This should also apply to interim progress reports (See PAI 5.01).

<sup>46</sup> In cases, where the legal agreement provides for retroactive financing, the reporting period could include the date when costs that were approved for retroactive financing were incurred.

<sup>47</sup> Where a project is cofinanced with one or more multilateral or bilateral financier, the financial reporting and auditing requirements should be harmonized such that the borrower, EA and/or IA is required to submit only one set of annual audited project financial statements and audit report to all financiers. These requirements should be set forth in the PAM. Where there is no agreement on the financial reporting auditing requirements, the requirements for ADB's financing will follow this OM.

<sup>48</sup> Regional departments will arrange meetings with the Ministry of Finance, the ministry responsible for foreign financed projects, and the Supreme Audit Institution to discuss the application of ADB's public disclosure requirements in light of any relevant provisions in the country's constitution, laws and procedures. Country-level arrangements will be recorded in a memorandum of understanding or aide memoire and will form the basis of project level arrangements to be detailed in the PAM.

<sup>49</sup> See for example ISA 700 *Forming an Opinion and Reporting on Financial Statements* which details the auditor's responsibility to form an opinion on the financial statements, and the form and content of the audit report issued as a result of an audit of financial statements

measurements for each financial covenant for the fiscal year concerned. This requirement must be included in the auditor's terms of reference (TOR), which should also specify the financial covenants for which the auditor has to express an opinion regarding compliance.

- (iii) Use of imprest fund procedure which includes imprest account(s) (and sub-account(s), where applicable),<sup>50</sup> where such account(s) have been established for the project. Such an audit may be separate, or included as a part of the overall audit of the project financial statements. It is limited to the transactions of the imprest accounts, as the expenditures reimbursed or paid directly from the imprest accounts are to be audited as a part of the project financial statement audit, with appropriate review of the in-transit items. Where the audit forms a part of the overall audit of the project, a separate reference to the imprest account audit should be included in the auditor's opinion. Where the audit of the imprest accounts is self-standing, a specific audit opinion is required.
- (iv) Use of the Statement of Expenditure (SOE) procedure. ADB requires that particular attention be paid to the internal control systems and the verification of documents relating to SOE expenditure, not only to ascertain proper financial accountability, but also that expenditure is eligible for inclusion in the project. Where the audit forms a part of the overall audit that of the project, ADB requires a special reference in the auditor's opinion with respect to the SOE portion of the audit. Where a separate audit of the SOE is required, additional paragraphs should be included in the audit opinion of the project certifying (a) to the eligibility of those expenditures claimed under SOE procedures, and (b) proper use of the procedure in accordance with ADB's Loan Disbursement Handbook and the project documents.

26. The requirements for the auditor's opinion in paras. 24 and 25 above should be included in the auditor's TOR.

27. An auditor's opinion can be unmodified or modified, with three types of modified opinion: (i) qualified, (ii) adverse, and (iii) disclaimer of opinion.<sup>51</sup>

28. The type of auditor's opinion is not the basis for assessing the acceptability of the submitted audited project financial statements. Rather, it should prompt the PTL to evaluate the appropriate action required, e.g., follow-up request to the EA for corrective action or suspend the right to withdrawal the proceeds of ADB financing.

29. In certain cases, other specific audit requirements may be agreed upon by ADB and the borrower and included in the PAM. These could include: performance auditing, audit of resettlement expenditures, audit of a quick-disbursing component, and spot audits/checks.

#### **e. Management Letter**

30. The audit of financial statements includes consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The auditor may, however, identify deficiencies in internal control during the

<sup>50</sup> See OM J6 (Disbursements). A sub-account refers to a separate bank account opened in the name of an IA or unit for the exclusive use of meeting project expenditures incurred by the IA. A sub-account receives its funds from the main imprest fund account.

<sup>51</sup> See ADB. 2006. *Handbook for Borrowers on the Financial Management and Analysis of Projects* for specific definitions and examples of how they may be expressed in an audit report.

assessment of risks of material misstatement and also at any other stage of the audit.

31. The auditor should communicate to project management (at appropriate level of responsibility) on a timely basis any material deficiencies or weaknesses in the financial reporting system or in the overall system of internal control and audit of a project or its EA through a management letter.<sup>52</sup>

32. The management letter is issued as “confidential” to project management and should not be publicly disclosed. As it provides the most relevant information on current and potential fiduciary risk, ADB’s requirement for its submission should be agreed with the borrower during project processing and set forth in the legal agreement, and PAM.

## **2. Selection of Auditors**

33. ADB requires that the borrower and the EA/IA select and appoint an auditor acceptable to ADB within a sufficient period to conduct the annual audit of ADB-financed projects. The borrower or EA should appoint an independent auditor at or before the start of project activities, and for each fiscal year until the project is financially closed.

34. The PTL should agree with the borrower during project preparation on the procedure to engage an auditor acceptable to ADB by the date of loan effectiveness.

35. Auditors conducting audits of ADB-financed and administered projects may be drawn from private or public sector audit practitioners. The borrower or EA is responsible for selecting and appointing auditors except for some developing member countries (DMCs) where statutory requirements may require the use of the SAI.

36. ADB will require that the auditors appointed by the borrower or EA must satisfy the following criteria:

- (i) Auditors must be impartial and independent of the control of the entity to be audited and of the person or entity appointing them. In particular, auditors must not be otherwise employed by; serve as directors of; or have family, financial, or close business relationships with the entity during the period covered by the audit.
- (ii) Auditors must be well-established and reputable; use procedures and methods that conform to agreed international auditing standards, or the national auditing standards of the DMC acceptable to ADB (supplemented where necessary with additional auditing and reporting procedures); and employ adequate numbers of staff with the required qualifications, experience, and competence.
- (iii) Auditors must be able to demonstrate experience in auditing accounts and financial statements for projects and entities comparable in type, nature, and complexity to the assignment to be undertaken.
- (iv) Auditors must propose (and assign) the audit work to personnel who have the necessary capabilities to complete it competently and on time.

37. If auditors acceptable to ADB are not available in the DMC, the borrower or EA should appoint suitable international auditors, preferably to work in collaboration with a local auditor.

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<sup>52</sup> See ADB. 2006. *Handbook for Borrowers on the Financial Management and Analysis of Projects* for detailed description of key features of Management Letters.

38. ADB reserves the right to review the list of auditors from which an appointment will be made by the borrower or EA, and identify any auditor who may not meet ADB's criteria.<sup>53</sup> The sector or country director should indicate the acceptability of an auditor in the form of a "no objection" provided that existing or proposed auditors satisfy the selection criteria. Details on the selection of the auditor should be set forth in the PAM. The PAM should also specify that ADB reserves the right to require a change in the auditors (in a manner consistent with the constitution of the borrower), or an addition to the auditors, if the audits required are not carried out in a manner satisfactory to ADB, or if the audits are substantially delayed.

39. Where an auditor is currently engaged, the director general of the relevant regional department should ensure the auditor's past performance with respect to the quality of reports and opinions, and management letters is reviewed.<sup>54</sup> Where deficiencies are identified, the sector or country director should request the borrower and EA to convey these concerns to the auditor.

40. While it is common practice in some DMCs to appoint the auditor each year, engagements should normally be long enough to enable an auditor to become familiar with the project or EA under audit and to permit efficient operation. However, the term should be short enough to facilitate a change of auditor if necessary.<sup>55</sup> An auditor's engagement should be kept under review to ensure consistent quality of performance.

41. The borrower or EA should provide the sector or country director with an assurance that the auditor has been notified of ADB's requirements, including the timing of the audit, issuance of the audit report and management letter, and public disclosure requirements where applicable. While regulatory requirements as well as the nature/type of the project and the implementing organization (where applicable) will normally determine the scope and depth of an audit examination, providing instructions to auditors in the form of a TOR should facilitate understanding of ADB's requirements particularly those that extend an audit's scope and detail.<sup>56</sup> The TOR should be included in the PAM.<sup>57</sup>

42. Based on the TOR, the auditor should prepare an audit engagement letter, setting out the responsibilities of the auditor and borrower including a provision for termination in the case of unacceptable performance for any given year over the engagement period.<sup>58</sup> The EA will monitor the auditor's performance against the engagement letter and TOR.

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<sup>53</sup> ADB may request the following information to be satisfied regarding independence and experience of the proposed auditor: (i) name of the auditor, (ii) names, qualifications, and experience of the principals and managers; (iii) approximate number of professional staff employed; (iv) listing of some of the main audits currently and previously carried out by the auditor; and (v) a statement of the independence of the firm of auditors vis-à-vis the entity it is proposed to audit.

<sup>54</sup> Technical reviews required under this PAI should be conducted by a financial management specialist (referred to as the "reviewer") based in the regional department.

<sup>55</sup> Engagements of 3 to 5 years are typical.

<sup>56</sup> Care should be taken when framing a request for additional work from an auditor as such instructions restrict an auditor's activities rendering them unacceptable.

<sup>57</sup> Where appropriate, a country-level auditor TOR may be agreed by regional departments' and the borrower as the basis for project level TORs.

<sup>58</sup> For example this would include: (i) Confirmation of acceptance of the appointment including reference to the TOR; (ii) Borrowers' responsibilities, particularly the preparation of financial information (the financial statements); (iii) Provision of access to whatever premises, records, documentation (including staff, RRP, PAM, the EA's project approval documentation, legal agreements, etc.) and any other information the auditor may request in connection with the audit; (iv) Form of audit reports; (v) Arrangements regarding the involvement of internal auditors and of

### **3. Supreme Audit Institutions**

43. In some DMCs the auditor appointment process is statutory with the SAI conducting the audit of ADB-financed projects or assigning the audit to its subsidiaries, or commercial auditor firms. ADB requires SAIs to meet the auditor selection criteria.<sup>59</sup> In the event the SAI, in ADB's opinion, does not meet the criteria, ADB should agree with the borrower and SAI on measures to remedy identified deficiencies.<sup>60</sup>

#### **C. Monitoring Compliance with ADB Requirements**

##### **1. Reporting Period**

44. The borrower or EA should submit annually the audited project financial statements (which includes the audit report) and the management letter for each financial reporting period (fiscal year) from the date of loan/grant effectiveness<sup>61</sup> until the loan account's financial closing on ADB's record of loan account.

45. The annual audited project financial statements, etc. will be submitted 6 months after the end of the EA's fiscal year. Only in projects where implementing agencies are decentralized local governments and where logistical considerations are such that they would impact the physical flow of information, could this deadline be extended to 9 months. When seeking a reporting deadline up to 9 months, the justification should be provided in the report and recommendation of the President and should be approved in the relevant management or staff review meeting.

46. For projects with external financing, the sector or country director should ensure the EA's submission of the audited project financial statements for the external funds adheres to the schedule stipulated in the relevant cofinancing agreement.<sup>62</sup>

47. ADB encourages the audit of project financial statements irrespective of the size or number of project financial transactions. The first reporting year may include a part-year from the loan effectiveness date to the end of that fiscal year while the last reporting year may include a part-year from the start of the fiscal year in which a project loan account is closed, to the loan closing date. The first project financial reporting year may be extended to a maximum of 18 months where the first financial reporting period from the loan effectiveness date to the relevant fiscal year end, would otherwise be less than 6 months.

48. Similarly, the last reporting year for the project may also be extended to a maximum of 18 months.<sup>63</sup> For such audit, the sector or country director should remind the EA to schedule the

any other external auditors (such as the government auditor); (vi) Expected date of issuance of the audited financial statements, etc.; and (vi) Basis on which fees are computed and any billing arrangements.

<sup>59</sup> RSDD will provide advice on the assessment of SAIs.

<sup>60</sup> This could include provision of technical assistance to develop SAI capacity, and/or agreeing with the borrower to have the government auditor subcontract the audit to an acceptable private auditor to carry out the audit on their behalf.

<sup>61</sup> In cases, where the legal agreement provides for retroactive financing, the reporting period could include the date when costs that were approved for retroactive financing were incurred.

<sup>62</sup> The PTL will consult as required with the Office of Cofinancing Operations (OCO) and copy OCO on related correspondence.

<sup>63</sup> For example, if the fiscal year ends on 31 December and a project closes on 30 June 2012, the EA may request that the last reporting year for the project cover the last whole reporting year (1 January 2011–31 December 2011) and the partial year until project closure (6 months 1 January 2012–30 June 2012), an 18-month period. However,

audit to avoid problems of information availability when a project's management unit is disbanded upon project completion.

49. On an exceptional basis, the EA may indicate that the project's financial activity during the first financial reporting period (up to a maximum of 18 months) has been limited. The value of conducting an audit of project financial statements may therefore not be commensurate with the cost of audit. In such cases, the EA may request ADB for a waiver of the covenant requiring the submission of audited project financial statements. If warranted, the sector or country director may agree on the condition that the first audited project financial statements include the full period since the loan effectiveness date.<sup>64</sup> A request for waiver of this loan covenant should be discussed with the RSDD and the Office of General Counsel (OGC).

## 2. Monitoring Submission of Annual Audited Project Financial Statement, Audit Report, and Management Letter

50. The PTL should proactively monitor the timely receipt and review of the audited financial statements, etc. as discussed in the following paragraphs.

51. **Three months before the Due Date.** The sector or country director sends a reminder letter to the borrower to submit audited financial statements, etc. within the due date (as agreed in the legal agreement and the PAM).<sup>65</sup>

52. **On the Due Date.** If the audited financial statements, etc. are not received by the due date, the sector or country director sends a letter informing the EA/IA that (i) the audit documents are overdue; and (ii) if they are not received within the next six months, requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters will not be processed.

53. **Six Months after the Due Date.** When the audited financial statements, etc. have not been received within six months after the due date, the sector or country director will withhold processing of requests for new contract awards and disbursement such as new replenishment of imprest accounts, processing of new reimbursement, and issuance of new commitment letters. The sector or country director will (i) inform the EA/IA of ADB's actions; and (ii) advise that the loan may be suspended if the audit documents are not received within the next six months.

54. **Twelve Months after the Due Date.** When the audited financial statements, etc. have not been received within 12 months after the due date, the sector or country director determines whether the loan is to be suspended and advises the director general. The procedure for suspension is provided in PAI 4.03, Suspension and Cancellation of Loans and accordingly, the director general recommends loan suspension to the relevant vice-president. The PTL advises

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for a project that closes on 30 September 2012, the project EA has to arrange for the audit of the last 9-month period of the project (1 January–30 September 2012).

<sup>64</sup> For example, if a loan was declared effective in June 2008, the first financial reporting year may be extended to cover the period June 2008–31 December 2009 (18 months). Where there has been limited financial activity, the EA may request a waiver of the covenant requiring submission of the audited project financial statements for such period. Hence the first submission of the audited project financial statements shall cover the period from loan effectiveness date of June 2008 to 31 December 2010, which is the end of the second financial reporting period (1 January 2010–31 December 2010).

<sup>65</sup> This includes the audited project (and/or independent entity's) financial statements, audit report, and management letter.

Operations Services and Financial Management Department (OSFMD), CTL, OCO if the project is cofinanced, and OGC of the vice-president's decision.

### **3. Receipt of Annual Audited Project Financial Statement, Audit Report, and Management Letter**

55. Upon receipt of the annual audited project financial statements, etc. and an independent entity's annual audited financial statements (where applicable), the sector or country director should promptly acknowledge receipt to the EA. For projects that are subject to public disclosure of the annual audited project financial statements, a scanned copy of these together with the audit opinion on these financial statements should be uploaded by the PTL in the eOperations project record within 30 calendar days of receipt.<sup>66</sup> By activating the "Transmit for Disclosure" button the documents will be sent to the DER web team for uploading on adb.org.<sup>67</sup> For projects with external financing, the audit requirements specified in the cofinancing agreement should be shared with the financing partner within the stipulated timeframe.

56. For DMCs where audited project (and independent entity) financial statements are to be submitted first to a government legislature (hence risking substantial delays in submission to ADB), unaudited project financial statements should be submitted to ADB within the agreed timeframe. However, unaudited financial statements should not be used to determine compliance with the financial covenants. After approval by the legislature, the EA should immediately submit the audited financial statements and related documents to ADB.

### **4. Acceptability of the Audited Project Financial Statements**

57. Reviewing the annual audited financial statements of projects (and related audit reports and management letters), and/or independent entities (where applicable), is an important aspect of ADB's project implementation oversight. Upon receipt of the annual audited project financial statements the director general should ensure the necessary review is conducted within 6 weeks of receipt: (i) to determine if these are acceptable; and (ii) to analyze the financial information from the project financial statements as part of project progress and financial performance monitoring, and undertake any necessary measures.

58. The reviewer (footnote 22) evaluates the acceptability based on an analysis of the information contained in the audited project financial statements, the audit report (which includes the auditor's opinion(s)), and management letter against the requirements detailed in Section B.1.a, b, d, and e above. Scanned copies of the (i) reviewer's summary report; (ii) audit review used to assess acceptability; and (iii) annual audited project financial statements, audit report, and management letter should be uploaded to the eOperations project record with key findings recorded in the project record.<sup>68</sup>

59. In the case of projects with multiple distinct components administered by different IAs and for which separate submission of annual audited project financial statements (including audit report and management letter) has been agreed, each submission will be evaluated separately.

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<sup>66</sup> The financial management specialist should be consulted prior to uploading the annual audited project financial statement and audit opinion.

<sup>67</sup> DER will add this document in the list of mandatory documents (for loans) to be disclosed in eOperations.

<sup>68</sup> Although all audit documents are uploaded into the eOperations project record, the only information that is publicly disclosed is detailed in para. 23.

### **a. Reviewing an Audit Report**

60. When reviewing an audit report, the reviewer should note whether four principal features have been addressed: (i) authenticity, form, and timeliness of the report; (ii) quality, or tenor, of the opinion; (iii) audit scope, significant financial reporting policies, auditing practices, qualifications, and other matters addressed by the auditor; and (iv) substance of the emphasis of matter paragraph, if any.

61. The auditor's opinion should not be the basis for the acceptability or non-acceptability of the submitted audited project financial statements. In the case of any modification to the audit report which may be a qualified opinion, adverse opinion, or disclaimer of opinion and when there is an emphasis of matter, the reviewer should determine, to the extent possible, the materiality, extent, and implication of the modification and/or emphasis of matter. Of particular concern are issues related to accountability for project funds.

62. In the case of "substantial" qualifications, the PTL, in consultation with the reviewer, should ascertain as soon as possible what remedial measures the EA proposes to take. If the borrower or EA is unable or unwilling to take corrective action, the sector or country director, after investigating the reasons, should follow the course of action recommended in cases of noncompliance with covenants as provided in the Regulations and PAI 4.03.

63. In cases where the qualifications appear not to be of a material nature (e.g., limited inadequacies in financial reporting subsystems, failure by financial reporting staff to respond to inquiries, etc.) the sector or country director should follow up with the borrower or EA to ensure that appropriate corrective action is taken.

64. Depending on the assessed implication of the modified auditor's opinion, the PTL should document appropriate course(s) of action to be taken by ADB and/or to be requested from the EA in future project progress reports.

### **b. Reviewing a Management Letter**

65. The reviewer should review each management letter and take note of any matters to which the auditor has drawn attention that may adversely affect project implementation and/or the operation of the EA, and the level of fiduciary risk to which ADB is exposed. These may include but not limited to: (i) internal control weaknesses in project financial management arrangements, (ii) implementation of the auditor's recommendations made in prior years' audit reports, (iii) compliance with financial covenants, (iv) significant variations between the interim and the annual audited financial statements, and (v) recommendations to enhance project financial management arrangements.

66. The review should note the EA/IA's response to the auditor's findings and any action taken to address the issue. Failure to act or inadequate action by the EA/IA should prompt the sector or country director to pursue appropriate measures that would address the situation.

### **c. Reviewing an Independent Entity's Audited Financial Statements**

67. The review of an independent entity's audited financial statements is aimed at determining the entity's continuing capability to implement the ADB-financed project. This should include reviewing the auditor's opinions, any matters deemed relevant by the auditors for disclosure, and analyzing the financial information provided in the financial statements.

68. The review should also include an assessment of compliance by the entity with financial covenants in the legal agreement.

69. The reviewer should be alert to movements in financial indicators that may have any adverse effect on the project's success, such as, declining institutional capability, warning signs of decline in the entity's financial performance and threats to the entity's continuing operations (as a going concern). Such issues should be highlighted in documenting the results of the review and should be communicated to the sector or country director together with proposed recommendations aimed to address the issues.

## **5. Communication of Review Results**

70. Based on the audit review checklist findings, the PTL, in consultation with the reviewer, should prepare a summary report which should discuss:

- (i) Whether the annual audited project financial statements are acceptable and if otherwise, the reasons for the assessed unacceptability and any recommended action to correct the deficiencies.
- (ii) Any substantial modification in auditor's opinion and/or audit findings reported in the audit report and/or the management letter, which may adversely affect project implementation, the operation of the independent entity or the level of fiduciary risk to ADB.
- (iii) The adequacy of actions taken, proposed or the lack of it, by the EA on current and previous audit findings as reported in the audit report and the management letter.
- (iv) Recommended actions for ADB or the EA.

71. The PTL should submit the summary report to the sector or country director indicating the findings of the review and corresponding recommendations.

72. Where the sector or country director determines that the issues reported in the summary report are sufficiently serious and/or the quality of the submitted audited financial statements etc., is unacceptable, the matter should be discussed with the director general to determine the appropriate course of action. The EA should also be advised in writing of the issues.

73. The sector or country director should request from the EA a time-bound action plan (to be agreed with ADB) to address the audit issues. Receipt of a response to such request should be closely monitored by the PTL and if the response is not received within the specified time, the lack of response must be noted as an issue to be addressed in the project performance report (PPR).

74. Follow up should be made through subsequent written communication and during project review missions. Results of follow up actions should be recorded in project review mission BTORs and in the PPR.

75. Pursuant to the internal consultation discussed in para. 72 above, OSFMD, CTL, OCO (in the case of cofinanced projects), and OGC should be informed by the PTL of the results of the consultation if they: (i) indicated that the annual audited project financial statements are unacceptable; or (ii) raise concerns with the proper use of loan proceeds, compliance with financial covenants, the proper use of procedures for the imprest account(s) and SOE (where applicable), implementation of the project or other accountability issues.

76. Audit risks and issues identified during the review of audited project and/or the independent entity's financial statements, including remedial actions taken or to be taken should be reflected in the PPR.

## **6. Unaudited Interim Project Financial Statements**

77. Unaudited interim project financial statements should be included in project progress reports. The reviewer should review the interim project financial statements. The review findings should be recorded by the PTL in the updated PPR as appropriate. Where the review identifies any issues of potential concern, these should be communicated by the sector or country director to the EA and explanations sought, including plans for remedial actions.

This document is available at:

<http://lnadbg1.asiandevbank.org/cos0003p.nsf/f47286b4d1eb6e9b482569e500308fb9/9e729fd15174640448257b0100294b6b!OpenDocument>

### DETAILED COST ESTIMATES (\$)

Supplies and Services Rendered	Costs				Contributions				
	Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	Other Donors	Communities
					Amount	Proposed Method of Procurement			
<b>Output 1. Skills and Management Capacity of MSEs and their Employees Developed</b>				<b>365,730</b>	<b>359,730</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,000</b>
<b>1.1 Equipment and Supplies</b>			<b>Subtotal</b>	<b>17,500</b>	<b>17,500</b>				
Training equipment, materials, manuals and support for training modules/venues	lump-sums	70	250	17,500	17,500	Shopping			
<b>1.2 Trainings, Workshops and Seminars</b>			<b>Subtotal</b>	<b>124,250</b>	<b>124,250</b>				
1.2.1 Establish producer and retailer groups	Activity	70	150	10,500	10,500				
1.2.2 Seminars on gender equality, safe migration and life skills	Courses	35	150	5,250	5,250				
1.2.3 Seminars to disseminate consumer preferences on market demand for selected products	Course	35	150	5,250	5,250				
1.2.4 Seminars with producers and suppliers on availability and sustainability of raw materials	Course	35	150	5,250	5,250				
1.2.6 Technical training: multiple food product lines including quality standards and food safety	Courses	105	300	31,500	31,500				
1.2.7 Technical training: multiple product lines for handicrafts including quality	Courses	105	300	31,500	31,500				
1.2.8 Training of master trainers from project producer groups	MTs	50	100	5,000	5,000				
1.2.9 Resource person(s) from Japanese institute(s)	lumpsum	2	15,000	30,000	30,000				
<b>1.3 Consulting Services</b>			<b>Subtotal</b>	<b>202,500</b>	<b>202,500</b>				
1.3.1 National Handicrafts Training Consultant	p-m	22.0	4,125	90,750	90,750	Firm			
1.3.2 National Food Processing Training Consultant	p-m	22.0	4,125	90,750	90,750	Firm			
1.3.3 Value Chain, Market Studies & Training Needs Assessments - package (national)	Lumpsum	1	21,000	21,000	21,000				
<b>1.4 Other Inputs</b>			<b>Subtotal</b>	<b>21,480</b>	<b>15,480</b>				<b>6,000</b>
1.4.2 Election of Village Focal Point Representatives (VFPRs) 12 villages	person days	1,200	5.0	6,000	0	In-kind			6,000
1.4.3 Village Focal Point Representatives (project support)	person days	6,192	2.5	15,480	15,480				
<b>Output 2. Access to business services, credit and commercial networks strengthened</b>				<b>268,750</b>	<b>268,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2.1 Equipment and Supplies</b>			<b>Subtotal</b>	<b>25,000</b>	<b>25,000</b>				
2.1.1 Packaging, labeling & branding materials for producer/retailer products	lump-sums	50	100	5,000	5,000	Shopping			
2.1.2 Promotional brochures, posters and other printed and visual media	lump-sums	1	20,000	20,000	20,000	Shopping			
<b>2.2 Training, Workshops, and Seminars</b>			<b>Subtotal</b>	<b>91,750</b>	<b>91,750</b>				
2.2.2 Training materials and courses delivered on business start-up, management and basic accounting	PGs-RGs	35	250	8,750	8,750				
2.2.3 Workshops by MFIs to explain procedures on accessing affordable credit	Workshops	35	250	8,750	8,750				
2.2.4 Workshops to create independent savings & credit groups	Workshops	70	150	10,500	10,500				
2.2.5 Workshops to finalize business plans and submitted to the MFIs for processing	Workshops	35	250	8,750	8,750				
2.2.6 Exposure visits to facilitate linkages with markets in Yangon & other major cities	Trips	4	5,000	20,000	20,000				
2.2.7 Promotion of "Made in Mon State" branding through participation in national and regional trade fairs	Trade show	4	5,000	20,000	20,000				
2.2.8 Product Design competition for innovative handicraft for the souvenir market	Competitions	4	2,500	10,000	10,000				
2.2.9 Workshops to promote the brand strategy, marketing and promotion plan in Mon State - producers	lump-sum	10	500	5,000	5,000				

### DETAILED COST ESTIMATES (Continued)

Supplies and Services Rendered		Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	Other Donors	Communities
						Amount	Proposed Method of Procurement			
<b>2.3</b>	<b>Consulting Services</b>			<b>Subtotal</b>	<b>112,000</b>	<b>112,000</b>				
2.3.1	International Business Development & Micro-credit Specialist	p-m	7	16,000	112,000	112,000	QCS			
<b>2.4</b>	<b>Other Inputs</b>			<b>Subtotal</b>	<b>40,000</b>	<b>40,000</b>				
2.4.1	Graphic Design Agency Brand Image, Guidelines & Usage	lump-sums	1	20,000	20,000	20,000	shopping			
2.4.2	Funds to implement the marketing and brand strategy and promotion plan in Mon State	lump-sums	1	20,000	20,000	20,000				
<b>Output 3. Infrastructure to support access to market and processing facilities improved</b>					<b>1,108,000</b>	<b>838,000</b>	<b>0</b>	<b>270,000</b>	<b>0</b>	<b>0</b>
<b>3.1</b>	<b>Civil Works</b>			<b>Subtotal</b>	<b>917,500</b>	<b>647,500</b>		<b>270,000</b>		
3.1.1	Construct a local product and craft market with amenities in Mawlamyine.	m <sup>2</sup>	875	500	437,500	437,500	NCB			
3.1.2	Land for market	m <sup>2</sup>	1,200	150	180,000	0	GC	180,000		
3.1.3	Construct of 1 multi-product processing centre to services multiple villages	m <sup>2</sup>	600	350	210,000	210,000	NCB			
3.1.4	Land for processing centre	m <sup>2</sup>	900	100	90,000	0	GC	90,000		
<b>3.2</b>	<b>Equipment and Supplies</b>			<b>Subtotal</b>	<b>98,000</b>	<b>98,000</b>				
3.2.1	Equipment and fit out for market at Mawlamyine.	lump-sums	1	25,000	25,000	25,000	Shopping			
3.2.2	Equipment and fit out for 1 multi-product processing center	lump-sums	1	45,000	45,000	45,000	Shopping			
3.2.3	Processing and production equipment for home based producers & retailers	lump-sums	70	400	28,000	28,000	Shopping			
<b>3.3</b>	<b>Consulting Services</b>			<b>Subtotal</b>	<b>81,500</b>	<b>81,500</b>				
3.3.1	Civil Engineer Consultant (design and construction supervision)	p-m	12	4,125	49,500	49,500	CQS			
3.3.3	Environmental Consultant - Initial Environmental Examination (IEE) for market at Mawlamyine.	p-m	2	16,000	32,000	32,000	QCS			
<b>3.4</b>	<b>Other Inputs</b>			<b>Subtotal</b>	<b>11,000</b>	<b>11,000</b>				
3.4.1	Supporting funds to establish Market management committee & operation	lump-sums	1	5,500	5,500	5,500				
3.4.2	Supporting funds to establish processing facility management committees & operation	lump-sums	1	5,500	5,500	5,500				
<b>Output 4. Capacity of EA, IA, and key stakeholders enhanced</b>					<b>1,205,370</b>	<b>1,083,810</b>	<b>0</b>	<b>117,480</b>	<b>0</b>	<b>4,080</b>
<b>4.1</b>	<b>Equipment and Supplies</b>			<b>Subtotal</b>	<b>92,550</b>	<b>92,550</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
4.1.1	Establish and maintain PMU and PIU Offices	Office	48	100	4,800	4,800				
4.1.2	PMU/PIT/PIU office furniture, computer printers and other electronic equipment	lump-sum	1	15,000	15,000	15,000				
4.1.3	Vehicle <sup>a</sup>	unit	1	35,000	35,000	35,000				
4.1.3	Motorcycles	unit	2	2,000	4,000	4,000	Shopping			
4.1.4	Fuel, vehicle maintenance and insurance	month	45	750	33,750	33,750				

<sup>a</sup> To reach the project sites located between 360 and 525 kilometers from the project office, to conduct adequate supervision and monitoring, the project team requires safe, affordable, and reliable transportation. In Mon state, options to rent such vehicles are limited and puts timely implementation of the project at risk. Further, vehicle rental in Myanmar is very expensive, estimated to be about twice the cost of purchasing a project vehicle, which will be handed over to the government upon completion to assist counterparts monitor project outputs. Motor cycles are needed to ensure frequent/ weekly field visits to monitor beneficiaries and project activities in the 4 townships.

### DETAILED COST ESTIMATES (Continued)

Supplies and Services Rendered		Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	Other Donors	Communities
						Amount	Proposed Method of Procurement			
<b>4.2</b>	<b>Training, Workshops, and Seminars</b>			<b>Subtotal</b>	<b>37,200</b>	<b>37,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
4.2.1	National Steering Committee Meetings	Meetings	5	1,000	5,000	5,000		0		
4.2.2	Project management training & capacity building for PMU & PIU staff	Trainings	12	100	1,200	1,200				
4.2.3	Inception workshop at two project sites (1event*1day x 2 sites)	workshops	2	2,000	4,000	4,000				
4.2.4	Gender training for PMU and PIU, Consultants & implementation partners	workshops	3	1,000	3,000	3,000	QCS			
4.2.5	Bi-annual work planning and review meetings facilitated by PIT-PIUs (8 events*1day x 2)	meetings	8	3,000	24,000	24,000				
<b>4.3</b>	<b>Consulting Services</b>			<b>Subtotal</b>	<b>884,250</b>	<b>884,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
4.3.1	Start-up Specialist (Individual - international consultant)	p-m	3.0	15,000	45,000	45,000	ADB -ICS			
4.3.2	Team Leader (TL - international)	p-m	20.0	16,000	320,000	320,000	QCS			
4.3.3	Deputy Team Leader (DTL - national)	p-m	42	4,125	173,250	173,250	QCS			
4.3.4	PMU Accountant (contractual staff)	p-m	42	3,000	126,000	126,000	individual			
4.3.5	PIU - Accountant (contractual staff)	p-m	40	2,000	80,000	80,000	individual			
4.3.6	International Social Development Specialist	p-m	5	16,000	80,000	80,000	QCS			
4.3.7	External Auditor (Office of Auditor General)	unit	4	10,000	40,000	40,000	QCS			
4.3.8	Baseline, MTR, Final Impact Assessment Package (national research assistant -contractual staff, intermittent)	lumpsum	1	20,000	20,000	20,000				
<b>4.4</b>	<b>Grant Management</b>			<b>Subtotal</b>	<b>126,181</b>	<b>35,821</b>	<b>0</b>	<b>86,280</b>	<b>0</b>	<b>4,080</b>
4.4.1	PMU National Project Director	p-m	48	230	11,040		GOM Appointed	11,040		
4.4.2	PMU Deputy Project Director	p-m	48	210	10,080		GOM Appointed	10,080		
4.4.3	PMU Project Accountant	p-m	48	190	9,120		GOM Appointed	9,120		
4.4.4	PMU Project Assistant	p-m	48	170	8,160		GOM Appointed	8,160		
4.4.5	PIU Project Manager	p-m	48	230	11,040		GOM Appointed	11,040		
4.4.6	PIU Deputy Project Manager	p-m	48	210	10,080		GOM Appointed	10,080		
4.4.7	PIU Accountant	p-m	48	190	9,120		GOM Appointed	9,120		
4.4.8	PIU Member - General Administration Department (PIUs)	p-m	12	210	2,520		GOM Appointed	2,520		
4.4.9	PIU Member - Dept. of Trade Promotion	p-m	12	210	2,520		GOM Appointed	2,520		
4.4.10	PIU Member Dept. of Cooperatives	p-m	12	210	2,520		GOM Appointed	2,520		
4.4.11	PIU Member - Dept. of Social Welfare,	p-m	12	210	2,520		GOM Appointed	2,520		
4.4.12	PIU Member Dept. of Agriculture,	p-m	12	210	2,520		GOM Appointed	2,520		
4.4.13	PIU Manger (Kyaiktho)	p-m	24	210	5,040		GOM Appointed	5,040		
4.4.15	VFPRs and community participation ((Mawlamyine, Mudon)	p-m	12	170	2,040		Elected			2,040
4.4.16	VFPRs and community participation (Kyaiktho, Chaungzon)	p-m	12	170	2,040		Elected			2,040
4.4.17	PMU travel and per diem	Trip	16	500	8,000	8,000				
4.4.18	PIU travel and per diem (Project areas)	month	48	500	24,000	24,000				
4.4.19	PIU Driver	month	48	80	3,821	3,821				

### DETAILED COST ESTIMATES (Continued)

Supplies and Services Rendered		Costs				Contributions				
		Unit	Quantity Units	Cost Per Unit	Total \$	JFPR		Government	Other Donors	Communities
						Amount	Proposed Method of Procurement			
<b>4.5</b>	<b>Other Inputs</b>			<b>Subtotal</b>	<b>65,189</b>	<b>33,989</b>	<b>0</b>	<b>31,200</b>	<b>0</b>	<b>0</b>
4.5.1	PMU office and utilities at MOHT - NPT	month	48	350	16,800	0	GC	16,800		
4.5.2	PIU office and utilities in Mon State	month	48	300	14,400	0	GC	14,400		
4.5.4	Website development and maintenance	Lumpsum	1	9,900	9,900	9,900	Shopping			
4.5.5	PMU Language translation services	Lumpsum	1	9,000	9,000	9,000				
4.5.6	PIU Language translation services	Lumpsum	1	15,089	15,089	15,089				
<b>Components A to D = Subtotal</b>					<b>2,947,850</b>	<b>2,550,290</b>	<b>0</b>	<b>387,480</b>	<b>0</b>	<b>10,080</b>
<b>Contingency</b>					<b>504,136</b>	<b>449,710</b>		<b>52,049</b>		<b>2,377</b>
<b>- Physical</b>					<b>161,153</b>	<b>143,755</b>		<b>16,638</b>		<b>760</b>
<b>- Price</b>					<b>342,983</b>	<b>305,955</b>		<b>35,411</b>		<b>1,617</b>
<b>TOTAL JFPR Grant Costs</b>										
<b>Total Project Cost</b>					<b>3,451,986</b>	<b>3,000,000</b>	<b>0</b>	<b>439,529</b>	<b>0</b>	<b>12,457</b>

ICS = Individual Consultant Selection; CSO- Civil Society Organization, IEE = Initial Environmental Examination; JFPR = Japan Fund for Poverty Reduction; NCB = National Competitive Bidding; O&M= operations and maintenance; PMU = Project Management Unit Team; PIT = Project Implementation Team; PIU = Project Implementation Team, S = Shopping; SW=Shopping Works. SOE = Statement of Expenditures

Source: Asian Development Bank Estimates

Vehicles will be used to support the day-to-day field activities of the PIT in Mon State and will be handed over to the government upon completion of the project