



Technical Assistance Report

Project Number: 51171-001
Knowledge and Support Technical Assistance (KSTA)
November 2017

Regional Forum on Public Sector Accounting (Phase 2)

This document is being disclosed to the public in accordance with ADB's Public Communication Policy 2011.

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CTL	–	Controller's Department
DMC	–	developing member country
IPSAS	–	International Public Sector Accounting Standards
IPSASB	–	International Public Sector Accounting Standards Board
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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KNOWLEDGE AND SUPPORT TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 51171-001	
Project Name	Regional Forum on Public Sector Accounting (Phase 2)	Department /Division	CTL/CTAC
Nature of Activity	Capacity Development	Executing Agency	Asian Development Bank
Modality	Regular		
Country	REG (PHI, THA)		
2. Sector		Subsector(s)	
✓ Public sector management		Public expenditure and fiscal management	ADB Financing (\$ million)
			0.25
		Total	0.25
3. Strategic Agenda		Subcomponents	
Inclusive economic growth (IEG)		Pillar 1: Economic opportunities, including jobs, created and expanded	
Regional integration (RCI)		Pillar 4: Other regional public goods	
		Climate Change Information	
		Climate Change impact on the Project	Low
4. Drivers of Change		Components	
Governance and capacity development (GCD)		Public financial governance	
Knowledge solutions (KNS)		Knowledge sharing activities	
		Gender Equity and Mainstreaming	
		No gender elements (NGE)	✓
5. Poverty and SDG Targeting		Location Impact	
Geographic Targeting	No	Regional	High
Household Targeting	No		
SDG Targeting	Yes		
SDG Goals	SDG17		
6. Risk Categorization		Low	
7. Safeguard Categorization		Safeguard Policy Statement does not apply	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		0.25	
Knowledge and Support technical assistance: Technical Assistance Special Fund		0.25	
Cofinancing		0.00	
None		0.00	
Counterpart		0.00	
None		0.00	
Total		0.25	

I. INTRODUCTION

1. Credible and transparent financial reporting and management has the potential to improve decision-making in the public sector, and helps governments be more accountable to their citizens and other stakeholders. This regional knowledge and support technical assistance (TA) seeks to enhance the awareness and capacity of government officials in developing member countries (DMCs) on International Public Sector Accounting Standards (IPSAS) and practices to improve their financial reporting.¹ It is also designed to achieve one of the key objectives of Strategy 2020: regional cooperation and integration through its development agenda on good governance and strengthened knowledge on DMCs.²

2. The International Public Sector Accounting Standards Board (IPSASB) is a standards-setting body designated by and operating under the International Federation of Accountants.³ One of the IPSASB's main functions is to develop high-quality international financial reporting standards for the public sector, with the long-term strategic objective of increasing the adoption of accrual-basis IPSAS. Accrual-basis IPSAS will strengthen and improve the transparency of a government's financial reporting and management, resulting in a more comprehensive and accurate view of its financial position.

3. Since 1997, the Asian Development Bank (ADB) has been supporting the IPSASB's standard-setting program on developing accounting standards for the public sector through regional and policy TA on Public Sector Accounting Standards.⁴ ADB's Controller's Department (CTL) has been participating in the IPSASB forums and task forces that review some of the IPSAS. The IPSASB emphasizes the need for more outreach programs that will support DMC capacity building for the adoption of IPSAS and the improvement of their overall financial reporting and management frameworks. This TA aims to complement the policy and advisory TA and help the DMCs formulate plans to improve their government accounting frameworks, standard-setting processes, information technology systems, and capacity building programs for government officials.

4. This TA is not included in ADB's current country operations business plans or in the CTL's management-approved annual work program.⁵ As such, the CTL sought the approval of the Vice-President for finance and risk management for the TA concept paper.

II. ISSUES

5. Although the DMCs recognize the benefits and importance of accrual-basis IPSAS, most do not yet have robust accounting standards and systems for financial reporting. They still follow

¹ The TA first appeared in the business opportunities section of the Asian Development Bank (ADB) website on 20 November 2017.

² ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila.

³ The International Federation of Accountants is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. It has more than 175 members and associates in more than 130 countries and jurisdictions.

⁴ ADB. 1997. *Technical Assistance for Government Accounting Standards*. Manila (TA 5748-REG); ADB. 2002. *Technical Assistance for Government Accounting Standards (Second Phase)*. Manila (TA 6052-REG); ADB. 2006. *Technical Assistance for Public Sector Accounting Standards (Third Phase)*. Manila (TA 6336-REG); ADB. 2009. *Technical Assistance for Public Sector Accounting Standards (Fourth Phase)*. Manila (TA 7447-REG); ADB. 2013. *Technical Assistance for Public Sector Accounting Standards (Fifth Phase)*. Manila (TA 8542-REG); ADB. 2016. *Technical Assistance for Public Sector Accounting Standards (Sixth Phase)*. Manila (TA 9243-REG).

⁵ This TA is expected to be implemented from 2018 and will be included in the CTL's work program for 2018.

largely cash-basis accounting practices, and face capacity constraints in terms of technical and implementation aspects in moving toward accrual-basis IPSAS. Common constraints include the lack of well-trained government officials in accrual accounting and IPSAS, the lack of appropriate financial management information systems, and the multiyear timeframes and financial resources required for implementation.

6. In response to the DMCs' capacity constraints and needs, ADB provided the first phase of capacity development TA to enhance the public sector accounting capacity of DMC government officials and promote knowledge sharing.⁶ Under this TA, ADB conducted two regional forums and two regional workshops on public sector accounting during 2013-2016, attended by government officials from selected DMCs. Resource speakers from the IPSASB, several international institutions, governments, and professional institutions shared (i) developments in IPSAS and global best accounting practices, and (ii) challenges and experiences in implementing accrual-basis accounting. The forums and workshops also included extensive discussions on the experience of various countries in implementing financial management reforms, and reiterated the importance of political commitments from government leaders, detailed research and planning, capacity development of government officials, and the development of a sound financial management information system. The feedback from forum and workshop participants was very positive. These events helped to develop a community of practitioners to share knowledge on and gain insights into public sector accounting. The participants expressed strong support for the continuation of such forums and workshops, and suggested the inclusion of specific topics relevant to the challenges that they face.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

7. The TA is aligned with the following impact: the awareness and capacity of DMC government officials enhanced on IPSAS and international accounting practices to improve their financial reporting and management. The TA will have the following outcome: knowledge and understanding of accrual-basis IPSAS and global best accounting practices that lead to improved transparency and accountability in DMCs' public sector financial reporting and management strengthened.⁷ The TA is expected to provide a venue for knowledge sharing and cross-border interaction that will support collaborative capacity development and enable DMC officials to increase their awareness and understanding of public sector accounting practices.

B. Output, Methods, and Activities

8. **Output 1: Regional knowledge-sharing forum events on public sector accounting delivered.** Participants in phase 1 of the Regional Forum on Public Sector Accounting underlined the challenges of improving public sector accounting, as several experiences have shown that adopting accrual-basis IPSAS is a long-term initiative. To respond to this challenge, phase 2 of the Regional Forum of Public Sector Accounting proposes to help the DMCs further strengthen their government accounting and reporting frameworks. It is vital to keep government officials continuously updated on the benefits of and latest trends in accrual-basis IPSAS to improve public sector accounting. ADB will organize at least two regional accounting forums to continue (i) developing DMCs' technical and implementing capacity with regard to accrual-basis IPSAS, and (ii) establishing a platform for the exchange of knowledge and experiences.

⁶ ADB. 2011. *Technical Assistance for Regional Forum on Public Sector Accounting*. Manila (TA 7903-REG).

⁷ The design and monitoring framework is in Appendix 1.

9. To promote the sharing of knowledge and experiences to a larger audience and strengthen regional collaboration and networking further, ADB will invite participants from more DMCs and regions to attend the forums. The forums will allow participants to gain a better understanding of current developments in IPSAS and global best accounting practices from internationally recognized resource speakers, and will help participants develop road maps for strengthening government accounting frameworks. The DMCs are also expected to share their own experiences, including benefits and challenges, in moving toward accrual-basis IPSAS or similar national standards. DMCs with less developed financial reporting practices will gain knowledge from countries with more robust accounting frameworks and information technology systems. The forums will include diverse topics and breakout sessions to interest and meet the needs of DMCs with different accounting frameworks. Furthermore, the forums will address DMCs' concerns and challenges raised during phase 1 of the regional forum.

10. Discussion topics at the forums will include the following:
- (i) the benefits and challenges of adopting IPSAS and accrual accounting;
 - (ii) road maps for adopting accrual-basis IPSAS;
 - (iii) financial management information systems;
 - (iv) technical training and the application of IPSAS; and
 - (v) specific targeted topics, such as the consolidation of government financial reporting, fixed asset accounting, and internal control and risk management.

C. Cost and Financing

11. The TA is estimated to cost \$250,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF 6). The key expenditure items are listed in Appendix 2.

D. Implementation Arrangements

12. ADB will administer the TA, and the CTL will be the implementing agency. A team of CTL staff will oversee the logistical and administrative requirements of the forums, such as coordinating with the forum venues and arranging the accommodation and flights of forum participants. ADB will engage a national consultant as a coordinator for each forum if the CTL determines that additional resources are required.⁸ The CTL will implement the TA in consultation with ADB's regional departments and Operations Services and Financial Management Department, and will follow the "One ADB" approach.⁹

13. **Consulting services.** ADB will engage consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁰ ADB will engage subject experts from the IPSASB, accounting professional institutions, governments, and ADB and other multilateral development banks as resource speakers for the forums.

⁸ One national consultant (about 3 person-months) for each forum, totaling 6 person-months.

⁹ The Action Plan for the Midterm Review of Strategy 2020 calls for the promotion of a "One ADB" culture to consolidate and strengthen the delivery of knowledge work and services. ADB. 2014. *Midterm Review of Strategy 2020: Action Plan*. Manila.

¹⁰ Terms of Reference for Consultants are accessible from the list of linked documents in Appendix 3.

14. The TA will be implemented from January 2018 to December 2020 and will include at least two forums. ADB may consider additional forums depending on the DMCs' needs, timeframes, and availability of resources.

15. Forum participants will consist of senior officials, nominated by the governments of the DMCs, who are responsible for public sector accounting. Each forum will have about 40–50 participants from all regions and is expected to be held over 2 days. The forum venues will be decided based on logistical and cost considerations.

16. The implementation arrangements are summarized in the table.

Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	January 2018–December 2020		
Executing agency	Asian Development Bank		
Implementing agency	Controller's Department		
Consultants	To be selected and engaged by the Asian Development Bank		
	Individual selection	National expertise (6 person-months)	\$25,000
Disbursement	The technical assistance resources will be disbursed following the Asian Development Bank <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

Source: Asian Development Bank.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$250,000 on a grant basis for the Regional Forum on Public Sector Accounting (Phase 2), and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Awareness and capacity of DMC government officials enhanced on IPSAS and international accounting practices to improve their financial reporting and management. ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome Knowledge and understanding of accrual-basis IPSAS and global best accounting practices that lead to improved transparency and accountability in DMCs' public sector financial reporting and management strengthened	By December 2020, at least 60% of participants indicate their likelihood to apply knowledge gained from the forums in their public sector financial reporting and management (2017 baseline: not applicable)	TA progress reports and forum feedback questionnaire	Capacity development is a long-term process and the application of knowledge and tools learned may not be immediately achieved.
Output Regional knowledge-sharing forum events on public sector accounting delivered	By December 2020, at least two regional forums held (2017 baseline: not applicable)	TA progress reports	Senior government officials and appropriate resource speakers are not available.
Key Activities with Milestones 1. Regional knowledge-sharing forum events on public sector accounting delivered^b 1.1 Plan and hold the first forum by December 2018 1.2 Plan and hold the second forum by December 2020 1.3 Prepare a progress report for each forum			
Inputs The Asian Development Bank's Technical Assistance Special Fund (TASF 6): \$250,000			
Assumptions for Partner Financing Not Applicable			

DMC = developing member country, IPSAS = International Public Sector Accounting Standards, TA = technical assistance.

^a Defined by TA

^b CTL may consider additional forums after the second forum depending on the DMCs' needs, timeframe, and available resources.

Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem: national consultant	20.0
b. Out-of-pocket expenditures: international travel ^b	5.0
2. Training, seminars, workshops, forums, and conferences	
a. Facilitators and speakers	36.0
b. Travel costs of Asian Development Bank staff acting as resource persons	14.0
c. Venue rental and related facilities	40.0
d. Participants	127.0
3. Miscellaneous administration and support costs ^c	5.0
4. Contingencies	3.0
Total	250.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6).

^b The national consultant may be required to provide administrative assistance during the forum, which might be held outside the Philippines.

^c Expenses incurred in the implementation and administration of technical assistance that cannot be classified in any of the expense items specified in the table.

Source: Asian Development Bank estimates.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=51171-001-TARreport>

1. Terms of Reference for Consultants

Supplementary Document

2. Terms of Reference for Resource Speakers