The background of the cover features a series of overlapping, wavy, translucent bands in shades of orange, yellow, and green. These bands are layered over a faint, stylized image of a city skyline at night, with illuminated buildings and a bridge. The overall effect is a sense of dynamic movement and modernity.

SECTOR AND AGENCY FINANCIAL MANAGEMENT ASSESSMENT

GUIDANCE NOTE

November 2025

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ABOUT THIS PUBLICATION

This guidance note offers a practical approach for Asian Development Bank (ADB) Staff and consultants to carry out a Sector and Agency Financial Management Assessment when a sector or agency has a large concentration of ADB's sovereign-backed projects, or when requested by sector teams or government counterparts.



The following is a list of guidance materials on financial due diligence issued by the Procurement, Portfolio, and Financial Management Department (PPFD), showing the phases in the ADB project cycle to which they apply.

	Year Issued or Updated	Medium-Term Strategic Planning		Processing			Implementation	Project Closing
		Country or Sector	KCDP -FM	Concept Stage	Fact Finding	RRP	Reporting	PCR
Sector and Agency Financial Management Assessment	2025	✓	✓	✓	✓	✓	✗	✗
Financial Management Assessment in Sovereign Operations	2025	✗	✗	✓	✓	✓	✓	✓
Cost Estimation in Sovereign Operations	2022	✗	✗	✓	✓	✓	✓	✓
Financial Analysis and Evaluation	2019	✗	✗	✓	✓	✓	✓	✓
Financial Due Diligence for Financial Intermediaries	2018	✗	✗	✓	✓	✓	✗	✗

KCDP-FM = knowledge and capacity development plan for financial management, PCR = project completion report, RRP = report and recommendation of the President.



Objective

This guidance note is intended to assess the level of development and reliability of sector and/or agency financial management systems and capacity for use in ADB-financed projects; develop a pathway to strengthen and improve usability of these systems in ADB operations; and inform project design on technical assistance activities or other interventions (e.g., policy- or results-based lending or sector development programs) to address systemic issues.



Living Document

This guidance note is intended to be a living document and will be revised as required.



The Reader

Readers are expected to use this guidance note according to their needs. For consistency purposes, throughout the document, it is assumed that the reader is a professional, with basic financial knowledge, who is involved in activities financed in whole or in part by an ADB sovereign-backed loan or grant, or by ADB-administered funds.



FAQs

Frequently asked questions, clarifications, examples, additional information, links to training, and other useful resources are available on the ADB website.



Legal and Order of Priority

In the event of any discrepancy between this guidance note and legal agreements, the legal agreements will prevail. The legal agreement governs the legal relationship between the borrower and ADB.

ACKNOWLEDGMENTS

This guidance note was drafted by a team of financial management staff under the guidance of the Procurement, Portfolio, and Financial Management Department (PPFD) of the Asian Development Bank (ADB), led by Director General Aman Trana, and Directors Ruth Farrant and Srinivasan Janardanam. The PPFD core team comprised Maria João Kaizeler (principal financial management specialist), Delaney Miram, (senior financial management officer), Jubie Leah Mae Coles (associate financial management officer), and Raffy Amos (associate financial management officer). Christian James Tolentino (senior financial management assistant) provided administrative support.

The team gratefully acknowledges the valuable technical inputs of Dennis Nacario, consultant, in the drafting of this guidance note. Copyediting was done by Jess Macasaet; proofreading by Ma. Theresa Mercado; and layout, cover design, and typesetting by Joe Mark Ganaban.

ABBREVIATIONS

ADB	Asian Development Bank
DMC	developing member country
DMF	design and monitoring framework
FMA	financial management assessment
FMAP	financial management action plan
FMS	financial management staff
KCDP	knowledge and capacity development plan
SAFMA	Sector and Agency Financial Management Assessment

I. INTRODUCTION

1.1 The Sector and Agency Financial Management Assessment (SAFMA). The SAFMA is a diagnostic framework developed by the Asian Development Bank (ADB) to assess the financial management systems of sectors, constituent agencies, and state-owned enterprises that implement or plan to implement ADB-financed projects. It benchmarks financial management systems against international standards and best practices, identifies gaps, and proposes practical measures to strengthen sector- and agency-level financial management systems and capacity, increasing their reliability and usability in ADB operations. The SAFMA findings also inform fiduciary-related policy actions, reforms, and capacity development initiatives.

1.2 The assessment covers key aspects of financial management policies and systems, which include accounting, financial reporting, internal controls, and internal and external audits. Where several agencies operate within the same sector, agency-level assessments can be consolidated to create a sector-level financial management profile. This provides a more holistic view of the sector's systemic strengths and vulnerabilities and supports the design of coordinated reforms across the sector.

1.3 Objectives of the SAFMA. The SAFMA has two main objectives: (i) assess the level of development and reliability of the sector's and agency's financial management systems and capacity for use in ADB-financed projects; and (ii) inform project design on technical assistance activities or other interventions (e.g., policy- or results-based lending or sector development programs) to address systemic issues. Designed for use by Staff and consultants, it ensures a systematic approach to identify gaps, assess the level of development, and propose actions to strengthen sector and agency financial management systems and capacity.

1.4 The SAFMA provides essential input for project processing. Conducted primarily for sectors and agencies with a high concentration of ADB-financed projects, the SAFMA results should inform new projects' financial management assessments (FMAs). Where a recent SAFMA exists, the project team may carry out a simplified, project-specific FMA focused on the operation's unique complexities while citing the SAFMA's findings and recommendations. The SAFMA is distinct from the mandatory, project-level FMA required for every ADB operation; however, a current and contextually valid SAFMA can reduce duplication and streamline the FMA exercise.

1.5 The SAFMA guidance note. The SAFMA guidance note provides step-by-step instructions for conducting the assessment. It outlines the phases—including inception, assessment, communication and approval, implementation, and evaluation. It specifies the tools and methods for each phase, including desk reviews, data collection, and stakeholder consultations. The methodology includes a scoring tool to evaluate system gaps and to define minimum criteria and the required pathway for increased reliability and usability of country, sector, and agency financial management systems in ADB-financed projects.

1.6 SAFMA framework and SAFMA diagnostic tool. The SAFMA framework, detailed in this guidance note, sets the overall structure, goals, and criteria for the assessment, ensuring consistency across applications. The diagnostic tool provides practical instruments—questions, scoring guidance, and instructions—for gathering evidence and determining the maturity of an agency financial management systems.

1.7 The SAFMA is managed by the Procurement, Portfolio, and Financial Management Department. Financial management staff (FMS) will be assigned to conduct and oversee the SAFMA and produce a report. The FMS leads the diagnostic, gathering country, sector, and agency data; drafting the report; and engaging with the government and agency management to agree on recommended actions. The FMS also communicates the results to stakeholders and obtains all clearances. The FMS coordinates with project team leaders, consultants, ADB resident mission staff, and others while leading the SAFMA.

II. SAFMA METHODOLOGY

2.1 Rationale for conducting a SAFMA. A SAFMA should be undertaken when there is a large concentration of projects (i.e., more than 20% of the total country portfolio) being implemented (or planned to be implemented) in a sector or by an agency. A SAFMA may also be conducted at the request of the project team, for executing and implementing agencies of a planned ADB-financed project or sector program or technical assistance during its processing stage or when the sector or agency is identified to have systemic financial management issues (as assessed in ADB or other multilateral development bank-financed projects' FMAs or implementation reports).¹

2.2 Repeating a SAFMA. A repeat SAFMA may be necessary if there are significant changes in the sector's or agency's financial management environment (e.g., major reforms such as new legislation, institutional restructuring, or adoption of new financial management systems), material weaknesses identified in earlier assessments have not been addressed and continue to affect portfolio implementation, or there is a substantial increase in the share of projects in the sector or agency. The outcomes of a SAFMA will serve as the basis for dialogue between ADB, the government, and the executing and implementing agencies on financial management systems and capacity strengthening activities that are needed and/or ADB could support. The process flow chart anticipated in a SAFMA is provided in Appendix 1.

2.3 The SAFMA process is structured into five phases. These are as follows:

- (i) **Inception**—Planning and organizing the assessment activities, including preliminary information and data gathering and analysis to gain first insights.
- (ii) **Assessment**—Conducting the assessment, including data collection and analysis, stakeholder engagement, and assessment mission(s) (if any).
- (iii) **Validation and Approval**—Finalizing the assessment, communicating the findings and proposed actions, and seeking approval.
- (iv) **Implementation and Monitoring**—Applying the report findings and conclusions in project designs and financial management assessments (FMA) and monitoring the implementation of the recommended actions (as incorporated in project documents).
- (v) **Evaluation**—Reviewing the status and results of the implementation of the strengthening pathways recommended in the assessment and its impact on the levels of development and acceptability of the systems for use in ADB-financed projects.

¹ For example, the SAFMA may be deemed necessary during project preparation, if there is a proposal to use country and agency systems on an ADB-financed investment project, or as part of a fiduciary systems assessment for results-based lending activities.

2.4 **The SAFMA diagnostic tool.** The SAFMA utilizes a diagnostic tool organized across 6 pillars of the public financial management (PFM) cycle and comprises 10 indicators and 22 sub-indicators covering all relevant aspects from a fiduciary perspective (Appendix 2). To account for the specific context of the developing member country (DMC) and executing and implementing agencies, the assessment team can exercise professional judgement to not include one or more sub-indicators for a specific assessment. However, this should be clearly explained in the report.

2.5 **Assessment inputs and outputs.** Conducting the SAFMA requires adequate qualitative information and some quantitative data (the quantitative data mainly for evaluating the absorption capacity of the executing and implementing agencies). The context of each sub-indicator indicates where the information can generally be obtained. Appendix 2 further details the required evidence and measurement period for each sub-indicator along with the likely source(s). The template in Appendix 3 should be adopted to present SAFMA and highlight key findings and recommendations. While the format can be adjusted to a specific context, it should align as closely as possible with the template and the main text limited to 10 pages.

III. INCEPTION

3.1 Key activities. The key activities under this phase include verifying the need for a SAFMA, assigning the FMS and peer reviewer, confirming the assessment scope, and initiating the assessment. Each activity is described below.

3.2 Assignment of financial management staff and peer reviewer. An FMS will be assigned to lead the SAFMA, who will determine the assessment scope and form an assessment team. A peer reviewer will also be assigned to review the draft SAFMA and ensure that the assessment follows the prescribed framework and to validate that the scoring and justifications are supported by reliable and correctly interpreted information.

3.3 Trigger for conducting a sector and agency-level assessment. As part of its country annual work, the FMS will review the latest ADB-financed investment portfolio and pipeline projects (available in [SovOps](#)) to identify the concentration of projects by sector and by implementing agency. A SAFMA should be conducted when concentration meets or exceeds 20%, either (i) at least 20% of portfolio value is in a single sector, or (ii) a single agency accounts for at least 20% of the total country program.² The concentration can be assessed using the format in Table 1.

Table 1: Project Concentration

Sector/Agency	Value of Active Projects or Programs	Value of Pipeline Projects or Programs	Concentration of Projects (as % of total)
Sector A/Agency 1	xx	xx	xx
Sector A/Agency 2	xx	xx	xx
Sector B/Agency 1	xx	xx	xx
Total	xx	xx	100

Source: Asian Development Bank.

3.4 Considerations for sector and agency-level assessment. Using the decision tree in Appendix 1, the SAFMA team should determine which sector–agency scenario applies to the circumstances of the sector and/or agency being considered for assessment. The following scenarios influence the scope and depth of the SAFMA and should be identified early to ensure that appropriate assessment planning and coordination are undertaken at this stage:

- (a) **Single-agency sector.** A single agency has the primary policy, regulatory, and operational authority over the sector. The SAFMA should assess the agency’s financial management systems holistically and consider the findings and levels of development as applicable to the entire sector.

² Assessment teams may set a different threshold than 20%, based on the discussions with the country team, regional focal, government agencies, and other stakeholders.

- (b) **Single-agency multisector.** A single agency has the primary policy, regulatory, and operational authority over several sectors. The SAFMA should assess the agency's financial management systems while disaggregating sector-specific practices where arrangements differ significantly.
- (c) **Multi-agency sector.** Several agencies share responsibility for the policy, regulatory, and operational authority of a sector or several sectors. The SAFMA team identifies the critical agencies to assess, evaluates the identified agencies' financial management systems, and consolidates the findings into a sector-level financial management profile.

3.6 Preliminary data gathering and screening. The SAFMA team gathers preliminary data to understand the institutional, legal, and regulatory context of the sector and agency to be assessed.³ Appendix 6 provides an illustrative list of likely reference sources, though the SAFMA team is encouraged to identify other sources if found relevant. Initial screening of the information should help populate the diagnostic tool, determine the need for in-country mission(s), and clarify data requirements from government counterparts during the assessment phase. Using the initial findings, the relevance of sub-indicators should be reviewed and adjusted as necessary. Any potential challenges should be noted, with mitigation measures identified.

3.7 Defining the scope, extent, and approach for conducting the assessment. Based on the identified scope of the assessment and the information from the preliminary data gathering and screening, the SAFMA team will prepare a concept note and work plan explaining the rationale for the SAFMA and indicating the timelines, resource requirements, and cost breakdown (see Appendix 4). These timelines and requirements should be anchored to the intended use of the SAFMA results (e.g., inputs for the country financial management plan, project FMA or project and program design), with key steps planned retrospectively from the delivery date. The identified resource requirements such as international and/or national consultants (see Appendix 5 for the terms of reference), translation and interpretation services, and other logistics arrangements, should have corresponding estimated costs. The FMS should coordinate with the peer reviewer, country program and portfolio management team, and ADB's country or regional director to obtain feedback on the concept note and work plan.

3.8 Initiation. The SAFMA process formally begins with PFFM management's approval of the concept note. Once the concept note is approved, the FMS shall organize a kick-off meeting among the SAFMA team, peer reviewers, and the relevant resident mission staff to discuss the implementation of the SAFMA.

³ For example, organizational charts, laws and regulations on financial management and procurement, and information and communication technology systems. Existing fiduciary assessment reports should also be obtained as should relevant documents from ongoing ADB-financed projects, e.g., FMAs.

IV. ASSESSMENT

4.1 Detailed financial management assessment. This phase includes assessment activities, stakeholder engagement, and data collection and analysis, including missions (in-person or virtual). It begins with filling the SAFMA diagnostic tool with preliminary and available information and data, and follows a series of distinct steps, as outlined below.

4.2 Desk review. A desk review of the sector and agency financial management information should be conducted. This includes analyzing historical progress in fiduciary system development and reviewing each indicator and sub-indicator to understand data needs. Relevant reports, such as Public Expenditure and Financial Accountability (PEFA) assessments,⁴ sector assessments, project FMAs, and assessments by other development partners, should be considered. This review provides insights into past reforms, current strengths and gaps, and the government or the agency's commitment to strengthening the sector and agency fiduciary systems.

4.3 Coordination with key stakeholders. To ensure an effective assessment process, detailed coordination with relevant stakeholders is essential. This may include consulting line ministries overseeing service delivery, central agencies such as the ministry responsible for finance and treasury, and sector regulators or oversight bodies. The coordination includes requesting information and arranging virtual or in-person meetings as appropriate.

4.4 Data gathering. A list of required documents and questions for each sub-indicator should be developed and shared with the agency or agencies, with a clear timeline and format for response. If needed, the ADB resident mission staff should organize meetings with the sector agencies and relevant government entities. Translation and meeting interpretation services may need to be considered in coordination with the ADB resident mission staff.

4.5 In-country mission. While most of the SAFMA should be completed through desk review, in-person missions may be needed for validation or confirmation of the information, especially when there is no resident mission or when face-to-face meetings are essential. Sufficient time should be allocated for discussions with the agency's counterparts. Meetings with other stakeholders, such as development partners, may also be needed.

4.6 Accomplishing the SAFMA diagnostic tool. To determine the level of development for each sub-indicator, detailed inputs should be provided in the SAFMA diagnostic tool. This includes implications for the project and program fiduciary risk, regardless of the development level, and notes on recent, ongoing, or planned reforms. These insights will help identify actions needed to strengthen financial management systems and capacity. The following activities need to be systematically conducted for each sub-indicator:

- (i) **Gather data to assess each sub-indicator.** Gather the data to assess each sub-indicator and determine its level of development through the steps mentioned below.
- (ii) **Rate the “Level of Development.”** The SAFMA employs a three-level scale aligned with international best practice to assess the fiduciary system's maturity as described in Table 2. Ratings should be evidence-based, supported by references to law and

⁴ PEFA assessment may be relevant only if the assessment was made in the last 3–5 years.

regulations, written sources, and/or information provided in any meetings. If sufficient documentation is unavailable, the sub-indicator should be marked as *not assessed* and a brief explanation provided.

- (iii) **Determine “Implications from a Program and Project Fiduciary Perspective.”** The assessed level of development for each sub-indicator should include its implications for project and program fiduciary risk, helping guide ADB project teams in design and implementation.
- (iv) **Identify “Recent, Ongoing, or Planned Reforms and Actions Needed to Progress Level and/or Increase Capacity.”** Include a summary of any recent, ongoing, or planned reforms related to each sub-indicator based on collected data. For sub-indicators rated “0” or “1”, identify key existing gaps and outline actions needed to advance to the next level. Also note potential capacity development actions to support reforms or address identified weaknesses and activities to increase the reliability of the financial management systems for ADB-financed projects.

Table 2: Criteria Descriptions

Level of Development	Rating	Description
2	Criteria Met	The assessed area has demonstrated sufficient evidence that it meets international standards and practices.
1	Criteria Partially Met	The assessed area has fulfilled some, but not all, of the required standards, criteria or evidence. Hence there are some areas that need improvement and/or there is lack of evidence to fully substantiate effective mechanisms. Typically signifies some or all of the following: <ul style="list-style-type: none"> • Minor gaps in the legal and regulatory framework • Moderate institutional capacity • Mixed operational practices • Mechanisms for accountability and transparency not fully effective
0	Criteria Not Met	The assessed area has not substantially fulfilled the required standards, criteria or evidence. Hence there is reasonable determination that there are significant gaps or deficiencies that must be addressed and/or there is insufficient evidence to determine effective mechanisms. Typically signifies some or all of the following: <ul style="list-style-type: none"> • Major gaps in the legal and regulatory framework • Insufficient institutional capacity • Operational inefficiencies • Mechanisms for accountability and transparency absent

Source: Asian Development Bank.

4.7 Drafting the SAFMA report. The SAFMA report is prepared following the template in Appendix 3 based on desk review findings, collected data, and results from the SAFMA diagnostic tool. It should include the average score across indicators and pillars automatically computed from sub-indicator ratings. The report should assess the reliability of the agency’s financial management systems for use in ADB-financed projects. Pillar scores guide this judgment: a score of 1.5 to 2.0 indicates a high level of development and reliability; a score between 0.6 to 1.4 reflects medium level of development, while a score of up to 0.5 indicates low level of development and non-reliability. (Table 3).

Table 3: Links Between Criteria Rating and Levels of Development

Score	International Standards and Practices	Level of Development/Reliability
1.5–2.0	Criteria met	High
0.6–1.4	Criteria partially met	Medium
0.0–0.5	Criteria not met	Low

Source: Asian Development Bank.

4.8 **Reliability of system for use in ADB-financed project.** Where a pillar average score is below 1.5, the assessor should classify it as not reliable for immediate ADB use and identify interim parallel arrangements plus strengthening actions. The SAFMA should outline time-bound measures to build system reliability and specify interim arrangements—such as project-specific accounting software, a dedicated financial management manual or a specific project operating procedures chapter, ring-fenced funds flow, or temporary financial management consultants—until the system meets the required standards.

Table 4: Pillar Reliability and Interim Arrangements (illustrative)

Pillar	Accounting and Reporting	Internal Control	Internal Audit	External Audit
Average Score	0.7	1.1	0.8	1.6
Usable in principle for ADB operations?	No	No	No	Yes (caveats)
Key Risks	Low quality of financial information; Project reports delays	Control gaps and weaknesses; Weak asset management	Limited audit coverage; Weak follow-up	Opinion delays and poor-quality audit reports
Interim Parallel Arrangements (until fully reliable)	Project accounting software; Project financial management manual; temporary financial management consultant(s)	Maker-checker; Asset tags and stock-take	Include projects in IA plan; co-sourcing project IA to private firm	Agree to audit terms of reference and timetable
Short-term (≤ 12 months)	Chart of Accounts mapping; Month-end close reconciliations	Control matrices; Spot checks	Approve IA charter; conduct IA training	Track Management letter actions
Medium-term (12–36 months)	Government accounting software module (GFMIS) upgrade	Control institutionalized and guidance roll-out	IA management software	Joint SAI/private model
Long-term (> 36 months)	Full GFMIS reliance	Control automation	Mature risk-based IA function	Full SAI reliance

ADB = Asian Development Bank, IA = implementing agency, SAI = supreme audit institution.

Source: ADB.

4.9 Holistic consideration of the pillar-level performance. Weaknesses in some sub-indicators may be offset by recent, ongoing, or planned reforms or by strengths in other sub-indicators. This process must consider the sector and agency's reform priorities, as well its capacity and resources to implement the actions in conjunction with support from development partners, including ADB. This approach allows for the thoughtful sequencing of actions over the short, medium, and long term, considering the priorities and specific needs of each agency and its operating context. Based on this, action(s) needed to progress the level are established for each sub-indicator with a score "0" or "1," providing pathways to strengthen these sub-indicators for use in ADB-financed operations. These insights and analyses should be summarized in the SAFMA report.

4.10 Consolidation of key findings and prioritization of gaps. The SAFMA report should give a clear summary of the assessment findings, highlighting major weaknesses and common issues across pillars, especially those that affect effective financial management or indicate recurring institutional challenges. It is also important to think about the relative importance and sequencing of addressing these gaps, especially those that could help unlock broader reforms. This analysis will help shape a plan to strengthen financial management systems by proposing initiatives to address the gaps, enhance development, and increase the systems' reliability.

4.11 Developing the strengthening plan. A "Financial Management Systems Strengthening Pathway" should be prepared with the following information: (i) risk rating for each pillar;⁵ (ii) relevant short-, medium-, and long-term actions to address identified weaknesses; (iii) development opportunities that ADB can support; and (iv) financial management and project team points of interest (see example in Appendix 3).

4.12 Sector financial management strengthening road map. Agency-specific financial management strengthening plans should be consolidated into a sector financial management strengthening road map that provides outputs and key performance indicators that will serve as a holistic and structured "Financial Management Systems Strengthening Pathway." This road map should be integrated into the Procurement, Portfolio, and Financial Management Department's 3–5-year country financial management knowledge and capacity development plan and reflected in the annual country financial management plan and cascaded to the team results-based work plan.

⁵ Since indicators and sub-indicators emphasize critical elements of financial management systems that are particularly relevant in DMCs implementing externally financed operations, the pillar scores can be considered directly influencing the fiduciary risk associated with the use of each financial management system. In determining the risk rating, the scores should be considered alongside the holistic pillar-level performance (para. 4.8 for the holistic approach).

V. COMMUNICATION AND APPROVAL

5.1 **Review of SAFMA report.** The first draft of the SAFMA report will be reviewed by the peer reviewer, the ADB resident mission, and other key stakeholders for quality, consistency, and comprehensiveness.

5.2 **Validation of findings.** To ensure the accuracy of the findings and obtain ownership of the financial management systems strengthening pathway, the SAFMA team is encouraged to validate the SAFMA findings and recommendations, if needed, by holding a validation workshop with the agency counterparts and relevant DMC stakeholders to discuss the findings and agree on the recommended actions.

5.3 **Approval.** Based on the feedback received through the review and validation exercises, a final SAFMA report will be submitted to the PFFM director for approval.

5.4 **Dissemination.** The approved SAFMA report may be disseminated internally within ADB. The key findings and recommendations of the SAFMA report can substantiate financial management reform initiatives and knowledge and capacity development plans for the sector and agency, as well as guide project teams processing new projects or implementing ongoing ADB-financed projects.

5.5 **External requests for SAFMA report.** Any request from external stakeholders, including government agencies, for copies of the SAFMA report must be handled in accordance with ADB's Access to Information Policy.⁶ All such requests should be referred to PFFM for review and clearance. Written authorization from PFFM, as well as the relevant country and sector management teams, must be obtained before any release. Information classified as confidential, deliberative, or otherwise restricted under the Access to Information Policy must be appropriately redacted prior to disclosure.

6 <https://www.adb.org/documents/access-information-policy>.

VI. IMPLEMENTATION AND MONITORING

6.1 Implementation. ADB will review the report to assess linkages among identified gaps, recommendations, and proposed actions to strengthen sub-indicators. This review supports reform dialogue with the sector and agency and informs technical assistance activities or other interventions (policy- or results-based lending or sector development programs) to address systemic issues. The report also serves as an input for FMAs and project designs for future ADB-financed investments.

6.2 Reform dialogue. Following discussion with the sector and country team, and agreement on priorities and available funding, financial management strengthening actions should be formalized through concept notes for further consultation and agreement with the government.

6.3 Project processing. SAFMA results support the FMA and the development of the financial management action plan (FMAP). As one of four financial due diligence requirements during project preparation, the FMA assesses the capacity of the executing and implementing agencies to manage project finances.⁷ It identifies financial management risks, evaluates their severity, and helps develop a time-bound FMAP in coordination with the executing and implementing agencies to address those risks.

6.4 FMA risk assessment. The FMA process follows ADB's technical guidance note on FMA in sovereign operations.⁷ It evaluates the financial management capacity of the executing or implementing agency for a project, identifies risks of funds misuse, and develops a time-bound FMAP to strengthen the financial management capacity and mitigate risks. The resulting risk matrix covers inherent risks at the country and agency level, and project-specific risks such as funds flow, staffing, accounting policies and procedures, internal and external audits, financial reporting, monitoring, and information systems. ADB adopts an agency's financial management system when they provide reasonable assurance of proper fund use. Where systems are weak, temporary ring-fenced arrangements may be applied, with a plan to phase them out as capacity improves. Efforts should also focus on strengthening financial management performance, capacity, and human resources to increase the use of country systems over time.

6.5 Utilizing the SAFMA findings for project FMAs. The SAFMA offers relevant and actionable insights that align closely with the requirements of ADB's project FMAs. The strengths and weaknesses identified in sector and agency financial management systems through the SAFMA directly support the diagnostic needs of project financial management teams during FMA preparation and design of fiduciary arrangements for implementation. Table 4 illustrates the overarching connections between the sections of the project FMA and SAFMA reports, helping users locate pertinent information from the SAFMA. It should be noted that the linkages are not exclusive. The FMA team should apply professional judgment to draw appropriate connections and incorporate SAFMA findings into FMA sections where relevant and applicable.

⁷ ADB. 2025. *Financial Management Assessment in Sovereign Operations Technical Guidance Note*.

Table 5: Links Between the Sections of the SAFMA and FMA Reports

FMA Report Sections	SAFMA Report Sections
1. Basic Information about the Assessment	<i>Mention reference to SAFMA report</i>
2. Executive Summary	Executive Summary
3. Scope of the Assessment	Section I. Introduction
4. Inherent Risk Assessment	Section II. Sector/Agency Data and Information Section III. Government and Development Partners Section IV. Findings
5. Control Risk Assessment	Section IV. Findings
6. Project Financial Management Arrangements	Section IV. Findings Section VI. Financial Management (FM) Systems Strengthening Pathway
7. Disbursement Arrangements and Funds Flow	Section IV. Findings Section VI. FM Systems Strengthening Pathway
8. Identification, Assessment, and Response to Financial Management Risks, and the Design of Mitigation Actions	Section IV. Findings Section VI. FM Systems Strengthening Pathway

FMA = financial management assessment, SAFMA = sector and agency financial management assessment.
Source: Asian Development Bank.

6.6 Utilizing the SAFMA tool results for FMAs. Table 5 displays the specific financial management areas assessed by the FMA and the relevant sub-indicator where information can be obtained from the SAFMA framework pillars and sub-indicators.

Table 6: Links Between SAFMA Pillars/Sub-Indicators and FMA Risk Areas

FMA Risk Areas	SAFMA Sub-Indicators
Implementing agency inherent risk	All sub-indicators (with a “0” or “1” score)
1. Planning and budgeting	4.4 Aggregate budget execution 5.2 Budgeting of operation and maintenance (O&M) for fixed assets
2. Funds flow and treasury management	4.3 Expenditure commitment controls 5.1 Use of the treasury single account (TSA)/central treasury system 5.2 Reconciliation of bank accounts
3. Accounting policies and procedures, staffing, and information systems	1.1 Accounting and financial reporting standards 3.1 Accounting staffing 3.2 Management information system (accounting) 6.1 Asset validation and stock-take procedures
4. Internal controls and internal audit	4.1 Internal control procedures 4.2 Segregation of duties 4.3 Expenditure commitment controls 6.1 Asset validation and stock-take procedures 7.1 Independence and reporting lines 7.2 Internal audit standards and documentation 8.1 Internal audit planning and implementation of annual audit plan 8.2 Follow-up on findings and recommendations 9.1 Internal audit staffing 9.2 Management information system (internal audit)

continued on next page

Table 6 *continued*

FMA Risk Areas	SAFMA Sub-Indicators
5. Financial reporting	1.2 Manual/policy for accounting and financial reporting 2.1 Project financial reporting 2.2 Climate sustainability disclosure
6. External audit	10.1 Audit opinion on annual entity financial statements and follow-up on findings 10.2 Audit opinion on annual project financial statements and follow-up on findings

Source: ADB.

6.7 Project’s design and monitoring framework (DMF) and financial management action plans (FMAPs). Agency systems and capacity can be developed through institutional strengthening activities incorporated in the project’s DMF or through the project’s FMAP. These activities would be monitored throughout project implementation.

6.8 Use of agency systems in ADB-financed projects. Deciding whether to use specific agency’s financial management systems in projects involves two key steps. First, the relevant pillar should be assessed as having a “high” level of development, supported by the “in principle” acceptability assessment in the SAFMA report. Second, a detailed review of the sub-indicators should be conducted to evaluate the pillar’s development within the context of the specific executing or implementing agency under assessment. This review should confirm that development levels are satisfactory and free from critical weaknesses. The findings for each pillar should be documented in the SAFMA report, along with the assessors’ professional judgment on whether the agency’s financial management systems are reliable and suitable for use in ADB-financed projects. If a pillar is rated *medium* or *low* level and improvement pathways are proposed but not yet implemented, these can be incorporated in the project’s DMF to strengthen agency systems, or into the FMAP for mitigating risks, as appropriate.

6.9 Linkages to the country financial management knowledge and capacity development plan (KCDP). The SAFMA’s medium and long-term institutional actions should be incorporated in a rolling 3-to-5-year country financial management KCDP to be updated annually. The short-term risk mitigation actions remain in the FMAP and capability-building goes into the KCDP with milestones, owners, budgets, and verification sources. The KCDP should allow for sequencing, using the SAFMA pillar averages and critical outliers to prioritize, it should also identify sources per action (ADB technical assistance, loan and/or grant components, government budget, other development partners).

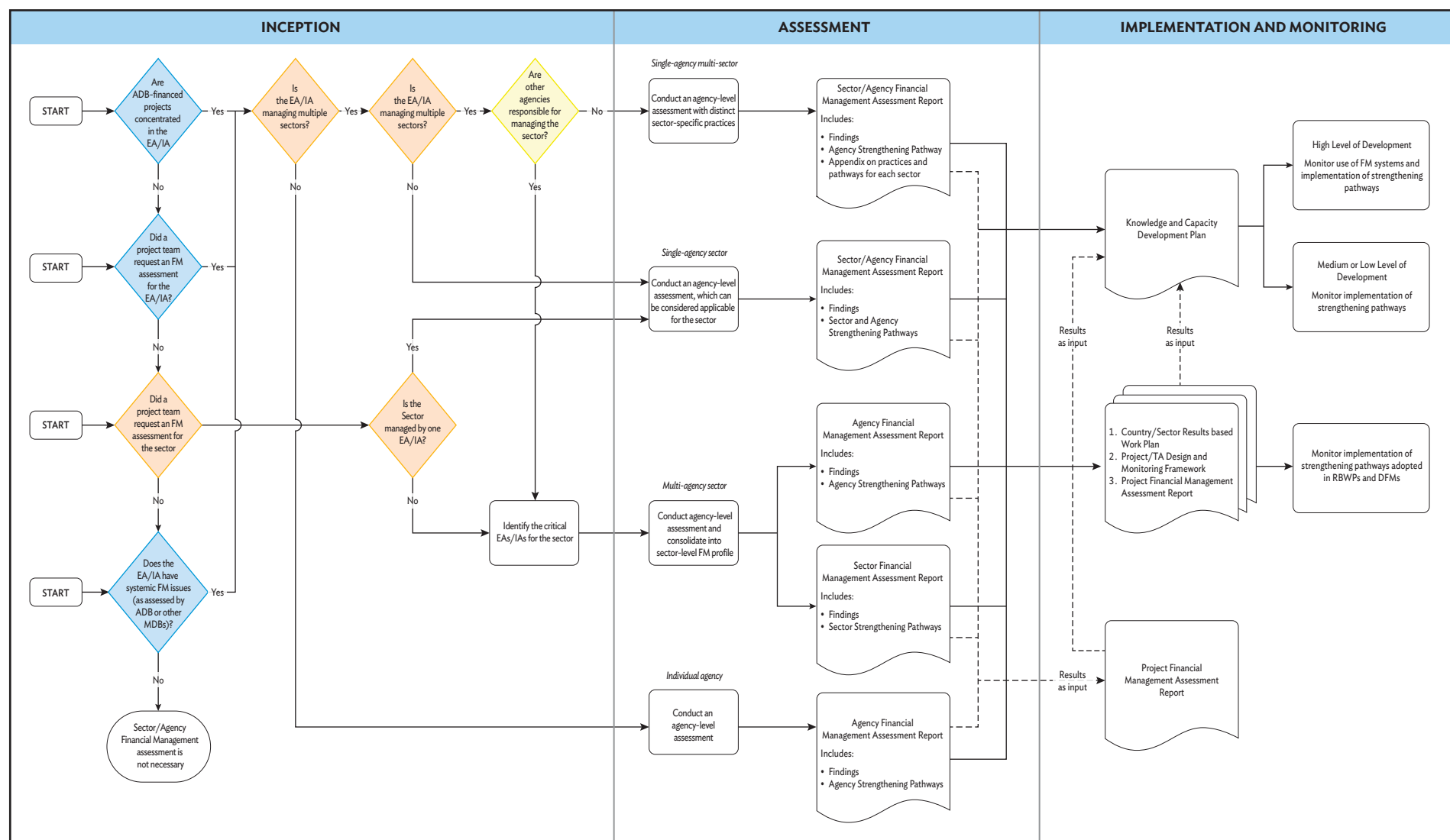
6.10 Monitoring. The SAFMA findings play a key role in strengthening sector agencies in DMCs by aligning their financial management systems with international best practices and enhancing resource allocation. However, realizing and sustaining these benefits requires time, sustained support, and continuous collaboration with key stakeholders including other development partners. To ensure progress, the country financial management focal should actively monitor both the development and implementation of sector and agency financial management systems strengthening actions. This includes using the country financial management KCDP and a dashboard (Appendix 7) for tracking the implementation of proposed strengthening pathways in ongoing projects and technical assistance initiatives and DMFs and FMAPs, ensuring that improvements are effectively integrated and risks are appropriately managed. The KCDP and its dashboard should be reviewed in every country’s financial management review mission and updated on a rolling annual basis.

VII. EVALUATION

7.1 Evaluation of the SAFMA impact. An evaluation of the financial management status of a sector and agency, as well as the implementation of strengthening pathways, should be undertaken prior to commencing a new SAFMA. This evaluation will help identify any new issues that may have arisen, thereby serving as a key input to the next SAFMA. In addition, a comprehensive evaluation of all SAFMAs conducted in the Country should be completed before the start of a new Country Partnership Strategy (CPS) or at intervals not exceeding 5 years. This evaluation will help identify any new issues that may have arisen, serving as a key input to the next SAFMA and/or CPS. The evaluation should begin by assessing the application of the SAFMA results across ADB's operations (e.g., sector assessments, technical assistance, FMAPs, and DMFs) and their impact, including whether the previous findings were effectively integrated into these documents, as well as ADB's role in supporting the activities from the strengthening pathways. The evaluation should also conclude whether the implementation of the financial management systems strengthening pathway in the SAFMA report has helped the sector and agency align its institutions, systems, and procedures with international standards and good practices; increase compliance with rules and requirements; and/or led to other specific developments such as further diagnostics and PFM reforms.

APPENDIXES

Appendix 1: Decision Tree and Process Flow



ADB = Asian Development Bank, DMF = design and monitoring framework, EA = executing agency, FM = financial management, IA = implementing agency, MDB = multilateral development bank, PPF = Procurement, Portfolio, and Financial Management Department, RBWP = results-based work plan, TA = technical assistance.
Source: PPF.

Appendix 2: Sector and Agency Financial Management Assessment Tool

Pillars	Indicators (10)	Sub-indicators (22)		Level of Development
I. Accounting and financial reporting	Accounting standards and documentation	1.1	Accounting and financial reporting standards	
		1.2	Manual/Policy for accounting and financial reporting	
	Financial reporting	2.1	Project financial reporting	
		2.2	Climate sustainability disclosure	
	Accounting staffing and IT	3.1	Accounting staffing	
		3.2	Management information system	
II. Internal control	Internal control procedures and operations	4.1	Internal control procedures	
		4.2	Segregation of duties	
		4.3	Expenditure commitment controls	
		4.4	Aggregate budget execution	
	Funds control and management	5.1	Use of the Treasury Single Account (TSA)/central treasury system	
		5.2	Reconciliation of bank accounts	
	Asset monitoring	6.1	Asset verification and stock-take procedures	
		6.2	Budgeting for fixed assets operations and maintenance	
III. Internal audit	Internal audit arrangements	7.1	Independence and reporting lines	
		7.2	Internal audit standards and documentation	
	Internal audit operability	8.1	Internal audit planning and implementation of annual audit plan	
		8.2	Follow-up on findings and recommendations	
	Internal audit staffing and IT	9.1	Internal audit staffing	
		9.2	Management information system	
IV. External audit	External audit operability	10.1	Audit opinion on annual entity financial statements and follow-up on findings	
		10.2	Audit opinion on annual project financial statements and follow-up on findings	
Average Score				

Source: Procurement, Portfolio, and Financial Management Department.

Pillar 1: Accounting and Financial Reporting

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 1. Accounting standards and documentation						
Guiding questions: <ol style="list-style-type: none"> Which accounting standards are in use? Are they aligned with international standards? Do they apply to externally financed operations? Does the agency have a manual/policy for accounting and financial reporting that is consistent with the country's legal and regulatory framework and international standards? Does the manual/policy apply to externally financed operations? 						
Sub-indicator 1.1. Accounting and financial reporting standards	Note 1: Materiality is “all” (90% or more) and “most” (75% or more). Note 2: If the agency does not in any manner follows acceptable accounting framework to manage, classify and record transactions as well as to produce financial reports under externally financed operations, the Level of Development is “0.”	The sub-indicator measures the agency's ability to (i) apply the required accounting and financial reporting standards (e.g., International Public Sector Accounting Standards [IPSAS], International Financial Reporting Standards [IFRS], or national standards), and (ii) whether the accounting and financial reporting standards are deemed to be adequate for externally financed operations.	2	The agency applies accounting and financial reporting standards fully aligned with international standards (e.g., IPSAS, IFRS). AND The accounting and financial reporting standards are used to produce financial reports for externally financed operations without applying adjustments or safeguards.		
			1	The agency applies accounting and financial reporting standards partially aligned with international standards (e.g., IPSAS, IFRS). AND The accounting and financial reporting standards are used to produce financial reports for externally financed operations applying minor adjustments or safeguards.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: Last 2 completed fiscal years. Required evidence: Annual financial statements; legal and regulatory framework; accounting standards applied; financial management assessment (FMA) reports of externally financed operations.			
Sub-indicator 1.2. Manual/Policy for accounting and financial reporting	Note: That the accounting and financial reporting manual “provides for” means it directly applies to externally financed operations, or that a separate set of procedures and requirements for externally financed operations is included or exists.	The sub-indicator measures the agency's ability to ensure that the accounting and financial reporting framework and procedures are well-documented, including for externally financed operations.	2	The agency is applying an approved, comprehensive and updated accounting and financial reporting (policy) manual, or a set of procedures. It is consistent with the latest legal and regulatory framework. AND The manual, or set of procedures, provides for accounting and financial reporting related to externally financed operations.		
			1	The agency is applying an approved, comprehensive and updated accounting and financial reporting (policy) manual, or a set of procedures. It is consistent with the latest legal and regulatory framework.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: At the time of assessment. Required evidence: Legal and regulatory framework; accounting and financial report (policy) manual/procedures.			

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Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development		Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 2. Financial reporting							
Guiding questions:	1. Do the agency's financial reporting standards require the preparation of in-year and annual financial statements of projects funded by development partners? 2. Are the project progress reports/Interim financial statements aligned with the reports produced by the unit/department to its management and to oversight agencies? 3. Does the agency budget execution report include both financial expenditure and physical/output results? 4. Does the agency budget execution report provide information on variations between planned and actual outputs (particularly for sustainable development goals such as climate, disaster risk reduction and management, and gender)? 5. Does the agency disclose information about the climate sustainability of its activities?						
Sub-indicator 2.1. Project financial reporting	Note: Development partners include multilateral development banks, international organizations, and bilateral development partners.	This sub-indicator measures the agency's ability to prepare project financial reports in line with acceptable accounting and financial reporting standards.	2	In-year budget execution reports and annual financial statements for externally financed operations are prepared by the agency based on the financial reporting standards prescribed by the government and applied by the agency for its own funds, and using financial data obtained directly from the agency's main accounting system.			
			1	In-year budget execution reports and annual financial statements for externally financed operations are prepared by the agency based on financial reporting standards prescribed by the development partners, and using financial data obtained from a separate/parallel accounting system.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: Last 2 completed fiscal years. Required evidence: In-year project budget execution reports; annual project financial statements; audited project financial statements.				
Sub-indicator 2.2. Climate sustainability disclosure	Note: The IFRS S2 Climate-related Disclosures (June 2023) and the International Public Sector Accounting Standards Board SRS Exposure Draft 1 on Climate-related Disclosures (Q4 2024) may include useful information for assessing the sub-indicator.	The sub-indicator assesses whether and how the agency (State-Owned Enterprise [SOE]) discloses climate-related financial information to the public.	2	The agency discloses information on climate-related financial risks and opportunities that are affecting, or expected to affect, its financial performance in the short, medium and long term. AND The agency discloses information on how it responds to, and plans to respond to, climate-related financial risks and opportunities in its development strategy/plan, including in terms of current and anticipated direct and indirect mitigation and adaptation efforts.			
			1	The agency discloses information on climate-related financial risks and opportunities that are affecting, or expected to affect, its financial performance in the short, medium and long term.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: Last completed fiscal year. Required evidence: Financial reports/statements; development strategy and plan.				

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 3. Staffing and IT						
Guiding questions: <ol style="list-style-type: none"> 1. How is the agency's accounting and financial reporting division/unit organized and staffed? 2. Is the agency preparing the projects' periodic and annual financial statements using data directly obtained from the agency's main accounting system? 3. Does the agency use accounting, financial reporting, and fixed asset management software? Is it also used for externally financed operations and assets? 						
Sub-indicator 3.1. Accounting staffing	Note 1: "Up-to-date" means the organogram reflects the existing structure, staffing and reporting lines. Note 2: Materiality is "all" (90% or more) and "most" (75% or more).	The sub-indicator measures the agency's ability to ensure that it has suitable qualified and experienced accounting staff engaged.	2	The agency's unit(s) responsible for accounting and financial reporting as well as for fixed asset management has/have in place an up-to-date organogram and all required accounting/finance positions are filled. AND Job descriptions and a career progression path are in place for all finance functions. Accountants hold a formal accounting qualification. AND A capacity development (training) plan is in place and is fully implemented.		
			1	The agency's unit(s) responsible for accounting and financial reporting as well as for fixed asset management has/have in place an up-to-date organogram with information on most required positions. AND Job descriptions are in place for most finance staff. Accountants must hold a formal accounting qualification.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: At the time of assessment. Required evidence: Organogram; job descriptions; staff list with all positions (permanent and temporary, filled and unfilled); information on educational qualifications of staff in accountant position; capacity development (training) plan.			

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development		Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Sub-indicator 3.2. Management information system	<p>Note 1: “Access control” means that as a minimum, the system authenticates users (staff on active duty) by verifying login credentials.</p> <p>Note 2: The World Bank’s <i>Handbook on Financial Management Information Systems for Government—A Practitioners Guide for Setting Reform Priorities, Systems Design and Implementation</i> (2014) provides background information for the sub-indicator.</p>	The sub-indicator measures the agency’s ability to ensure that the accounting and financial reporting tasks, including for externally and ADB-financed projects, are adequately supported by an integrated financial management information system (IFMIS) or enterprise resource planning (ERP) system.	2	<p>The agency undertakes all accounting and financial reporting tasks through a module that is part of a (central) IFMIS or ERP. The system has secure access control and provides a transaction-level audit trail.</p> <p>AND</p> <p>Accounting and financial reporting related to externally financed projects is undertaken through the same system.</p>			
			1	<p>All accounting and financial reporting tasks of the agency are undertaken using a separate/stand-alone accounting software.</p> <p>AND</p> <p>Accounting and financial reporting related to all externally financed projects is undertaken using the same or a separate/stand-alone accounting software.</p>			
			0	Does not fully meet the requirements for Level 1.			
			<p>Measurement period: At the time of assessment.</p> <p>Required evidence: Procedural guidelines and instructions; systems manuals; IT policy.</p>				

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Pillar 2: Internal Control

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development		Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 4. Internal control procedures and operations							
Guiding questions:		1. Is there a public internal control law in the country and is the agency applying it? Does it follow COSO? 2. Is there a Central Harmonization Unit (CHU) and, if so, does the agency follow its guidance? 3. Which internal control documentation (manuals, guidelines, etc.) does the agency use? Do they also apply to externally financed operations? 4. Does the agency have in place segregation of duties in expenditure processes? If yes, how is it documented? 5. Does the agency have expenditure commitment controls in place, how do they function, and are they effective (i.e., commitments are within budget and available cash)? 6. Does the agency's expenditure commitment controls apply to externally financed operations? 7. What was the aggregate expenditure out-turn vis-à-vis the approved aggregate original budgeted expenditure for the last three fiscal years?					
Sub-indicator 4.1. Internal control procedures	Note 1: The Committee of Sponsoring Organizations (COSO) components are the control environment, risk assessment, control activities, information and communication, and monitoring. Note 2: "Updated" means that the internal control manual has been prepared or revised within the last 3 years.	The sub-indicator measures the agency's ability to ensure that the internal control framework as well as procedures are well-documented, including for externally financed operations	2	The agency applies the COSO framework and the internal control manual is kept updated. AND The agency manual and framework applies to transactions under externally financed projects.			
			1	The agency applies the internal control procedures prescribed by the government but not fully aligned with COSO framework. The internal control manual is kept updated. AND The agency manual and framework applies to transactions under externally financed projects.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: At the time of assessment. Required evidence: Internal control manual/set of procedures; legal and regulatory framework; internal audit reports; external audit reports.				
Sub-indicator 4.2. Segregation of duties	Note: PI-20 and PI-25.1 may include useful information for assessing the sub-indicator.	The sub-indicator measures the agency's ability to prevent staff, or group of staff, from being in a position to perpetrate and conceal errors or fraud in executing their duties in relation to authorizing and recording transactions, taking custody of assets, and reconciling transactions.	2	The agency has established appropriate segregation of duties throughout the revenue and expenditure processes. Responsibilities are clearly laid down and documented.			
			1	The agency has established segregation of duties throughout the revenue and expenditure processes. More precise definition of important responsibilities may be needed.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: At the time of assessment. Required evidence: Regulatory framework; rules and procedures; internal audit reports; external audit reports.				

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development		Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Sub-indicator 4.3. Expenditure commitment controls	Note: The sub-indicator is based on Public Expenditure and Financial Accountability (PEFA) PI-25.2, but with some adjustments.	The sub-indicator assesses the agency's ability to establish an effective expenditure commitment control framework. Effectiveness of expenditure commitment controls, which ensures that through an adequate system of controls, the government's payment obligations remain within the limits of annual budget allocations and within projected cash availability. A low "0" score means that either there is no control of commitment, or its coverage is insufficient, or the system is not efficient. The system of control must cover cash availability and approved budget allocations for a high score.	2	Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations.			
			1	Expenditure commitment control procedures exist and are partially effective but may not comprehensively cover all types of expenditure or there may be occasional cases where they are not applied.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: Last 3 completed fiscal years. Required evidence: Samples of fixed assets, inventory and stock registers; validation and stock-take reports.				
Sub-indicator 4.4. Aggregate budget execution	Note 1: The sub-indicator is based on PEFA PI-1.	The sub-indicator measures the agency's ability to execute the aggregate budget as planned and helps evaluate the agency's absorption capacity.	2	The agency's aggregate budget execution was within $\pm 5\%$ of the approved aggregate budgeted expenditure (i.e., 95%–10%) in at least 2 of the last 3 fiscal years.			
			1	The agency's aggregate budget execution was within $\pm 10\%$ of the approved aggregate budgeted expenditure (i.e. 90% and 110%) in at least 2 of the last 3 fiscal years.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: Last 3 completed fiscal years. Required evidence: Original approved budgets and final approved financial statements/fiscal reports.				

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development		Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 5. Funds control and management							
Guiding question:	1. Is the agency using the central treasury/banking system for payment transactions? How about payments for externally financed operations? 2. Have any bottlenecks or delays been observed in funds flow of ADB-financed projects? 3. How often is the reconciliation of bank account statements and corresponding cash books done? Is it also done for project bank accounts?						
Sub-indicator 5.1. Use of the Treasury Single Account (TSA)/central treasury system	Note: PEFA PI-21.2 may provide useful information for the sub-indicator.	The sub-indicator measures the extent to which an agency's payment transactions are executed through the government's TSA. For state-owned enterprises, which generally operate bank accounts outside of the TSA, the use of a centralized corporate treasury is assessed instead.	2	The agency's payment transactions, including externally financed operations, are undertaken through the TSA/central treasury system.			
			1	Some agency's payment transactions are processed outside the TSA/central treasury system (e.g., through separate bank accounts maintained by the agency or by projects), but the majority are undertaken through the TSA/central treasury system			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: At the time of assessment. Required evidence: Accounting procedures policy/manual; Treasury/banking system guidelines, financial management assessments of recently approved Asian Development Bank (ADB)-financed projects; Project Completion Reports of recently concluded ADB-financed projects.				
Sub-indicator 5.2. Reconciliation of bank accounts	Note: PEFA PI-27.1 may provide useful information for the sub-indicator – noting that PEFA PI-27 covers all of “central government,” i.e. budgetary central government, extrabudgetary units (e.g., SOEs) and social security funds.	The sub-indicator measures the agency's ability to undertake regular and timely reconciliation of bank account balances with financial records that is documented in bank reconciliation statements.	2	The agency undertakes bank reconciliation for all active bank accounts, including project bank accounts, at least monthly, usually within 4 weeks from the end of each month.			
			1	The agency undertakes bank reconciliation for all active bank accounts, including project bank accounts, at least quarterly, usually within 8 weeks from the end of each quarter.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: At the time of assessment, covering the preceding fiscal year. Required evidence: Reconciliation reports; internal audit reports; external audit reports.				

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Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 6. Asset monitoring						
Guiding question:	<p>1. Does the agency maintain a register of fixed assets? Does it record the location of each asset? Does it include valuation details (e.g., historical cost, revalued amount, depreciation)? Does it track the physical condition and status of assets? Are there any other key parameters captured (e.g., acquisition date, custodian, asset type/category)?</p> <p>2. Does the agency budget for operations and maintenance expenditure of its fixed assets?</p> <p>3. Which asset verification and stock-take procedures does the agency have in place? How often are physical checks done and who participates?</p>					
Sub-indicator 6.1. Asset verification and stock-take procedures	<p>Note 1: ISO 55000, ISO 55001, and ISO 55002 provide a framework for managing the lifecycle of assets</p> <p>Note 2: The sub-indicator may also be assessed if the government maintains a central fixed asset register on behalf of the agency.</p> <p>Note 3: Institution 15: Monitoring of Public Assets of the public investment management assessment (PIMA) may include useful information for assessing the sub-indicator.</p>	This sub-indicator measures the agency's ability to safeguard its fixed assets, inventories and stocks as well as establish their value.	2	<p>The agency maintains a comprehensive and up-to-date asset register, which includes information on their usage, age and value including donor-funded assets.</p> <p>AND</p> <p>The agency conducts regular, risk-based inventories and physical verification stocks with frequency and scope based on asset type, value, and risk, as provided in formal policy/guidelines.</p> <p>AND</p> <p>Asset registers are fully updated after each verification, safeguarding measures are implemented, and valuation methods are consistently applied in line with accounting standards (such as IPSAS for government agencies or IFRSs for SOEs).</p>		
			1	<p>Asset registers are partially updated and include donor-funded assets.</p> <p>AND</p> <p>The agency has conducted a physical verification of fixed assets at least once in the last 2 fiscal years, guided by formal policy/guidelines.</p>		
			0	Does not fully meet the requirements for Level 1.		
			<p>Measurement period: Last 3 completed fiscal years.</p> <p>Required evidence: Samples of fixed asset, inventory and stocks registers; validation and stock-take reports.</p>			

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development		Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Sub-indicator 6.2. Budgeting of operations and maintenance for fixed assets	Note: ISO 55000, ISO 55001, and ISO 55002 provide a framework for managing the lifecycle of assets, including the operation and maintenance (O&M) needs and budgeting, which may provide useful information to the assessor.	This sub-indicator measures the agency's ability to calculate the O&M resources required to operate and maintain equipment and fixed assets in the context of the annual budget formulation process.	2	The agency explicitly plans and budgets for O&M of fixed assets as part of the annual budget preparation process (which may include data derived from an asset management system). AND The agency executes all the planned/allocated amounts for O&M AND O&M budgets and execution are included in published annual budget documents and/or included in project documentation.			
			1	The agency is explicitly budgeting for O&M of fixed assets as part of the annual budget preparation process (which may include data derived from an asset management system). AND The agency executed all the allocated amounts for O&M.			
			0	Does not fully meet the requirements for Level 1.			
			Measurement period: Last 3–5 fiscal years. Required evidence: Annual budget documents, project documentation; documentary examples.				

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Pillar 3: Internal Audit

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 7. Internal audit arrangements						
Guiding questions:	1. Does the agency have in place an internal audit function? Is it independent and, if yes, how is it evidenced? 2. What is the focus of internal audit? Are internal audit activities based on professional standards? Is an internal audit manual applied? 3. Has a capability assessment been conducted and, if so, what was the level achieved? Is a Code of Ethics in place for internal auditors? If yes, how was it developed? How are internal auditors informed about the Code of Ethics?					
Sub-indicator 7.1. Independence and reporting lines	Note 1: “Independence” means that the internal audit function is not dependent on, or influenced or controlled by, other entities or staff (e.g., it is not under any form of instructional authority whether administrative, political, or otherwise), hence internal auditors are able to work in an unbiased manner. Note 2: The INTOSAI GOV 9140 (Internal Audit Independence in the Public Sector) and Implementation Guide 1100 and 1110 of the IIA’s International Standards for the Professional Practice of Internal Auditing provide useful information for assessing the sub-indicator.	The sub-indicator measures the agency’s ability to ensure that the internal audit function is organizationally and functionally independent.	2	The agency has an operational internal audit function, or it is covered by a central internal audit function. AND The internal audit function is governed by an internal audit charter that defines its scope, authority, and independence, and is aligned with the country’s internal audit framework. AND The internal audit unit reports directly and is accountable to an agency-level committee in all matters. AND The internal audit function does not manage operations or resources subject to internal audit.		
			1	The agency has an operational internal audit function, or it is covered by a central internal audit function. AND The internal audit function is governed by an internal audit charter or policy that defines its scope, authority, and independence. AND The internal audit unit reports and is generally accountable to the highest hierarchical level of the agency.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: At the time of assessment. Required evidence: Legal/regulatory framework; internal audit charter; agency organogram; internal audit reports, IA-CM reports if available			

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Sub-indicator 7.2. Internal audit standards and documentation	<p>Note 1: Professional standards include the IIA's International Standards for the Professional Practice of Internal Auditing (Standards). The standards, together with the IIA's Code of Ethics, encompass the mandatory elements of the IIA's International Professional Practices Framework (IPPF).</p> <p>Note 2: PI-26.2 may include useful information for assessing the sub-indicator.</p> <p>Note 3: Implementation Guide 2040 of the IIA's International Standards for the Professional Practice of Internal Auditing provides useful information for assessing the sub-indicator. Note 4: "Updated" means that the manual has been prepared or revised within the last 3 years.</p>	The sub-indicator measures the agency's ability to apply internal audit standards that are consistent with recognized international standards as well as that procedures are well-documented.	2	<p>The agency's internal audit function focuses its activities on evaluations of the adequacy and effectiveness of internal controls.</p> <p>AND</p> <p>The internal audit work fully meets professional standards.</p> <p>AND</p> <p>An approved and updated internal audit (policy) manual, guidelines or procedures, based on and aligned with international standards and practices, is in place.</p>		
			1	<p>The agency's internal audit function focuses its activities primarily on financial compliance.</p> <p>AND</p> <p>An approved and updated internal audit (policy) manual, guidelines or procedures is in place.</p>		
			0	Does not fully meet the requirements for Level 1.		
			<p>Measurement period: At the time of assessment.</p> <p>Required evidence: Rules, regulations and procedures; internal audit reports (examples); internal audit manual, guidelines, or procedures.</p>			

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 8. Internal audit operability						
Guiding questions: <ol style="list-style-type: none"> 1. How does the agency's internal audit function plan its annual work? Who approves the annual plan? How many planned audits are carried out? 2. Are externally financed operations included in the annual plan? If not, why not? 3. How is follow-up on the implementation of internal audit recommendations done? What is the implementation progress? 						
Sub-indicator 8.1. Internal audit planning and implementation of annual audit plan	Note 1: Implementation Guide 2010 of the IIA's International Standards for the Professional Practice of Internal Auditing provides useful information for assessing the sub-indicator. Note 2: PEFA PI-26.3 may provide useful information to assess the sub-indicator. Note 3: Materiality is "all" (90% or more) and "majority" (50% or more).	The sub-indicator measures the agency's ability to adequately plan and carry out internal audits for the agency and for externally financed projects.	2	The agency's internal audit function has in place an annual internal audit plan, developed on a risk-basis, which is approved by the audit committee / senior management. AND All planned internal audits are completed, as evidenced by the distribution of the internal audit reports to the appropriate parties. AND Externally financed projects are, if requested by the donor, included in the annual internal audit plan and audited by the internal audit function.		
			1	The agency's internal audit function has in place an annual internal audit plan. AND The majority of planned internal audits are completed, as evidenced by the distribution of the internal audit reports to the appropriate parties.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: Last completed fiscal year. Required evidence: Internal audit plan and information on internal audits completed.			

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Sub-indicator 8.2. Follow-up on findings and recommendations	<p>Note 1: Implementation Guide 2500 of the IIA's International Standards for the Professional Practice of Internal Auditing provides useful information for assessing the sub-indicator.</p> <p>Note 2: Materiality is "all" (90% or more) and "most" (75% or more).</p> <p>Note 3: PEFA PI-26.4 may provide useful information to assess the sub-indicator.</p>	The sub-indicator measures the agency's ability to ensure an effective follow-up process on internal audit recommendations so as to suitably address findings.	2	<p>The agency's internal audit function has in place a standardized and documented process for following up on the implementation of internal audit findings and recommendations.</p> <p>AND</p> <p>All auditees provide a full response to the findings and recommendations within 12 months of the internal audit report being distributed.</p> <p>AND</p> <p>Follow-up on implementation is undertaken regularly, and the status reported at least annually to the audit committee/senior management.</p>		
			1	<p>The agency's internal audit function has in place a standardized and documented process for following up on the implementation of internal audit findings and recommendations.</p> <p>AND</p> <p>Most auditees provide a full response to the findings and recommendations within 12 months of the internal audit report being distributed.</p> <p>AND</p> <p>Follow-up on implementation is undertaken regularly.</p>		
			0	Does not fully meet the requirements for Level 1.		
			<p>Measurement period: At the time of assessment, covering the preceding fiscal year.</p> <p>Required evidence: Document follow-up process; recent internal audit reports and actions; reports to the audit committee / senior management.</p>			

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Appendix 2 continued

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 9. Internal audit staffing and IT						
Guiding questions: <ol style="list-style-type: none"> What are the educational requirements for the agency's internal auditors? Do they hold internal audit certification? Is training provided? Does the agency's internal audit function use internal audit management software? If yes, for which activities? 						
Sub-indicator 9.1. Internal audit staffing	Note 1: Materiality is "some" (25% or more). Note 2: Implementation Guides 1200, 1210, 1202 and 1230 of the IIA's International Standards for the Professional Practice of Internal Auditing provide useful information for assessing the sub-indicator.	The sub-indicator measures the agency's ability to ensure that it has suitable qualified and experienced internal audit staff engaged who undergo relevant training.	2	The chief internal auditor and some of the agency's internal auditors have an internal audit certification (Certified Internal Auditor, Certified Information Systems Auditor, Cert IA, etc.). AND There are specific educational (e.g., accounting, finance, economics) and professional (work experience) requirements in place for (other) internal auditor positions AND Internal audit training is provided and is mandatory.		
			1	There are specific educational (e.g., accounting, finance, economics) and professional (work experience) requirements in place for internal auditor positions. AND Internal audit training is provided but is not mandatory.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: At the time of assessment. Required evidence: Staffing lists; job descriptions; capacity development/training plan.			
Sub-indicator 9.2. Management information system	Note: Implementation Guides 2300 and 2330 of the IIA's International Standards for the Professional Practice of Internal Auditing provide useful background information for the sub-indicator.	The sub-indicator measures the agency's ability to ensure that the internal audit function is adequately supported by IT-based tools and techniques.	2	The agency's internal audit function applies internal audit management software for risk assessment, audit planning, work paper management, and issue tracking to automate the audit process. Backup of all data is generally done daily.		
			1	The agency's internal audit function applies software to manage and document the internal audit processes. Backup of all data is done at least monthly.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: At the time of assessment. Required evidence: Procedural manuals, guidelines or instructions; systems manuals; information policy.			

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Appendix 2 continued

Pillar 4: External Audit

Sub-indicator	Notes and Clarifications	Sub-indicator Description	Levels of Development	Score Justification (including supporting documentation)	Implications from a Program/Project Fiduciary Perspective	Recent, Ongoing or Planned Reforms + Actions Needed to Progress Level and/or Increase Capacity
Indicator 10. External audit operability						
Guiding questions: <ol style="list-style-type: none"> 1. What was the audit opinion issued by the external auditor for the last 3 years of (a) the agency's annual financial statements, and (b) the project annual financial statements? 2. Have any control weaknesses been identified for the agency or for externally financed operations? Are there recurring findings? 3. Has the agency implemented the external auditor's recommendations (for the entity and projects) for the last three audits? How is this evidenced? 						
Sub-indicator 10.1. Audit opinion on annual entity financial statements and follow-up on findings	Note 1: "Effective and timely implementation" means that as a minimum, the same audit findings and recommendations are not repeated in the external auditor's next audit report. Note 2: PEFA PI-30.3 may, for entities audited by a supreme audit institution (SAI), provide useful information for assessing the sub-indicator as regards follow-up.	The sub-indicator measures the agency's ability to prepare its annual financial statements, in all material respects, in accordance with the applicable accounting and financial reporting frameworks as well as to adequately address the external auditor's audit recommendations.	2	The external auditor has expressed an unqualified opinion in the last three audits of the agency's annual financial statements. AND There is clear evidence of effective and timely implementation by the agency on the external auditor's audit recommendations for the last three audits.		
			1	The external auditor has expressed an unqualified opinion in the last audit of the agency's annual financial statements. AND There is clear evidence of effective and timely implementation by the agency on the external auditor's audit recommendations for the last audit.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: Period covering the last three completed audits of the agency's annual financial statements. Required evidence: Audited annual financial reports/statements; management letters; action taken reports.			
Sub-indicator 10.2. Audit opinion on annual project financial statements and follow-up on findings	Note 1: "Effective and timely implementation" means that, as a minimum, the same audit findings and recommendations are not repeated in the external auditor's next audit report. Note 2: Materiality is "all" (90% or more) and "most" (75% or more).	The sub-indicator measures the agency's ability to prepare annual project financial statements, in all material respects, in accordance with the applicable accounting and financial reporting frameworks as well as to adequately address the external auditor's audit recommendations.	2	The external auditor has expressed an unqualified opinion in all audited project financial statements for the last three years. AND There is clear evidence of effective and timely implementation by the agency for all of the external auditor's recommendations for the last 3 years.		
			1	The external auditor has expressed an unqualified opinion in most audited project financial statements for the last 1 year. AND There is clear evidence of effective and timely implementation by the agency for most of the external auditor's recommendations for the last 2 years.		
			0	Does not fully meet the requirements for Level 1.		
			Measurement period: Last 3 completed fiscal years. Required evidence: Audited project financial reports/statements; management letters; actions taken reports.			

Appendix 3: Indicative Sector and Agency Financial Management Assessment Report

(Indicative page limit is 10 pages for the main text)

Executive Summary

- I. Introduction [background for and purpose of assessment; collaboration with the government of the developing member country (DMC) and the Asian Development Bank's (ADB) resident mission and other departments; any challenges encountered; rationale for conducting the sector and agency assessment]
- II. Sector and Agency Public Financial Management (PFM) Diagnostics and Reforms or Action Plans [sector and agency (agencies) institutional setting; summary of country and sector PFM assessments/diagnostics conducted and their findings; sector PFM/financial management (FM) systemic gaps and recent reforms/PFM strategies and action plans and status of implementation]
- III. Sector and Agency Data and Information [past official development assistance (ODA) projects and pipeline; sector and agency (agencies) projects' FM risks, arrangements and actions from recent diagnostics and FM assessments; use of sector/agency systems in ODA projects vs setting parallel arrangements; sector/agency(ies) financial sustainability gaps, risks and key opportunities]
- IV. Findings: [outline of assessment results across relevant sub-indicators]
 - Overall observations
 - Planning, budgeting, treasury and funds flow
 - Pillar I. Accounting and financial reporting
 - Pillar II. Internal control
 - Pillar III. Internal audit
 - Pillar IV. External audit
- V. Reliability: "In Principle" Usability of Agency Systems in ADB-financed Projects [discuss the reliability of the agency's FM systems for use in ADB-financed projects based on the pillar scores and the assessed points of interest on use of country systems indicated in the Sector and Agency Financial Management Assessment (SAFMA) diagnostic tool]

FM System	Level of Development/ Reliability	Interim Parallel Arrangements Required for any Non-Reliable Pillar	Actions needed to Increase Reliability for Use in ADB Projects
Accounting and Financial Reporting			
Internal Control			
...			

VI. Financial Management Systems Strengthening Pathways

The SAFMA assessment outlines the pathways for strengthening sector- and agency-level FM systems, ranging from short-term to long-term strategies for each pillar. It includes the associated risk ratings, potential development opportunities for ADB to consider, and points of interest that ADB FM and project teams may need to consider in implementing projects and/or using country, sector, and agency systems in ADB-financed projects. The following outlines potential development opportunities that ADB could consider for supporting the DMC sector and agency systems and capacity:

Pillars	Sector/Agency FM Systems Strengthening Pathway	Responsibilities and Resources	Sector/Project Team Points of Interest and linkages to KCDP, FMA/FMAP, DMF, and TA
Accounting and Financial Reporting Risk to ADB projects: (High; Substantial; Moderate; Low)	Sector-level pathways Short term: 1a. ... Medium term: 1b. ... Longterm: Agency-level pathways Short term: 1a. .. Medium term: 1b. ... Long term:	1.	1.

DMF = design and monitoring framework, FMA = financial management assessment, FMAP = financial management action plan, KCDP = knowledge and capacity development plan, TA = technical assistance.

VII. Conclusion and Next Steps

Annexes:

- A. Summary of Scores per Pillar and Indicator [summary indicating gaps and potential risks]
- B. SAFMA Diagnostic Tool [separate spreadsheet file(s)]
- C. Agency FM Systems Strengthening Pathway and FM/Project Teams' Points of Interest
- D. References and data [with links and information on date it was downloaded]
- E. Table with list of pipeline, active, and closed projects [e.g., ADB, World Bank and others] being designed, implemented or closed by the agency with descriptive data [e.g., number, name, period of implementation, project amount] and with summary of FMA results, financial management risks per area/pillar, FMAPs, financial management performance, financial sustainability risks.
- F. [Other relevant attachments]

Legend

black text = mandatory standard wording

red text = instructions for writer

Appendix 4: Concept Note for SAFMA

I. Background

[Overview of the Asian Development Bank's engagement with the agency; summary of the agency's ongoing financial management challenges and their implications for project implementation and sustainability]

II. Proposed Approach

[Summary of the scope of assessment, methodology, and sequencing of support: e.g., assessments, gap analyses, design of improvements, action planning]

III. Resources

[Composition of the Sector and Agency Financial Management Assessment team, consulting inputs (if any), implementation period, deliverables, engagement modalities with the developing member country counterpart, and estimated costs of consultancy and related activities]

IV. Next Steps

[Planned timeline and milestones leading to the implementation: e.g., internal approvals, government clearances, consultant mobilization, and validation activities]

Appendix 5: Sample Consultant Terms of Reference

Objective and Purpose of the Assignment

The Sector and Agency Financial Management Assessment (SAFMA) is intended to (i) identify gaps in the sector and key agency financial management (FM) systems and/or practices against international standards and best practices, (ii) assess the potential impact of the gaps in Asian Development Bank (ADB)-financed operations, (iii) evaluate the reliability of the sector and agency or agencies' systems for use in ADB-financed projects, and (iv) develop a pathway to strengthen the systems and capacity to increase reliability for using those systems in ADB-financed operations.

The results of the SAFMA will (i) provide information for managing sector and agency-specific gaps and risks under ADB-financed projects; (ii) inform FM capacity development activities to be initiated by the government and supported by ADB for the sector and agency or agencies, and (iii) inform ADB Project Financial Management Assessments (FMAs).

[Background on past FMAs, SAFMA, sector assessments]

Scope of Work

The consultant will conduct the SAFMA diagnostic and produce a SAFMA report, along with the required supporting documents and deliverables for the [sector(s) and agency or agencies], in line with the SAFMA guidance note and based on publicly available information, consultations with government agencies and key stakeholders, and relevant findings.

Detailed Tasks

1. The consultant's tasks will include, but not be limited to, the following activities:
 - (a) Conduct desk reviews of relevant laws, regulations, policies, guidance, and reports at the country, sector, and agency level(s). This includes gathering available information from government sources, development partners, and other stakeholders, as well as reviewing FM assessments and audit reports from ongoing or recently closed ADB and World Bank-financed projects, to complete the initial draft of the SAFMA diagnostic tool.
 - (b) Engage with government counterparts and key stakeholders through in-depth surveys, data collection, interviews, and consultations to verify the initial findings and information gathered during the desk review phase and address any documentation gaps.
 - (c) Update the SAFMA diagnostic tool based on stakeholder consultations and evaluate the sector's and agency's FM systems. This includes assessing FM gaps and risks, benchmarking against international standards and best practices, and identifying the implications of gaps and weaknesses for project implementation.
 - (d) Prepare a draft SAFMA report that provides a narrative of the sector's and agency's FM systems, clearly highlighting the levels of development, strengths, gaps, risks, and a financial management systems strengthening pathway or development opportunities. The report should specify whether the financial management systems strengthening pathway involves short, medium, or long-term reform actions, and include points of interest for project teams to consider in order to design activities in projects and programs being processed or to mitigate risks during project implementation.
 - (e) Facilitate knowledge-sharing sessions and a consultation workshop with government counterparts and development partners to present key findings, validate conclusions, and secure feedback for finalization.
 - (f) Finalize the SAFMA report drawing from the feedback obtained from the knowledge-sharing and validation workshop.

2. The consultant should work closely with, and seek regular guidance from and report to, the ADB FMS overseeing the SAFMA. Emails and/or weekly meetings will be used to report on progress and identify/address issues that may arise during the assignment.

Output/deliverables are as follows:

- Inception report: [2 weeks after commencement] Detailed workplan; identification of data to be gathered; preparation of data gathering instruments to be used; and identification of target agency or agencies.
- Interim reports: [4 weeks after commencement, and every 2 weeks thereafter] Findings from desk reviews of existing/available related reports, policies, rules and regulations, studies, FM assessments from ADB and other donors; agreement on the strategies for data gathering for the target agency or agencies; identification of institutions to meet and meetings' agendas with tentative questions and documentation to ask.
- Aide mémoire and minutes of meetings: **[as applicable]** It should cover discussions and findings of meetings held in field mission and in follow up virtual interviews.
- Draft SAFMA report [12 weeks after commencement of services]: The report should:
 - ☐ Validate/update of the initial sector's and agency's FM diagnostic; narrative description of the sector's and agency's FM systems;
 - ☐ Assess FM gaps;
 - ☐ Identify strengthening actions and pathways;
 - ☐ Assess risk and mitigation measures; and
 - ☐ Provide supporting documents and pathway to strengthen the sector's and agency's FM systems to increase readiness for use in ADB-financed operations.
 - ☐ Validation workshop **[to be determined]** with government counterparts, development partners, and relevant stakeholders; and two knowledge sharing sessions within ADB, to discuss the findings and seek feedback to finalize the report.
- Final report: [14 weeks after commencement] Incorporation of comments and feedback from ADB, workshop participants, and relevant stakeholders.

All reports will be produced in English in a format and within a timeframe agreed upon with ADB and reflected in the project implementation plan.

Minimum Qualification Requirements

- Master's degree in finance and accounting, business administration, economics, banking or a related field.
- At least 15 years' experience in conducting PFM diagnostics and strengthening country, sectors and agencies' financial management systems.
- At least 10 years of specific experience relevant in project management including financial management and project monitoring for projects financed by ADB or other development partners.
- Experience and knowledge of the [DMC] PFM country and agency systems, standards, and laws is highly preferred.
- Proficiency in spoken and written English.
- Excellent command of computer skills.

Appendix 6: Data Collection Checklist and Sources

Data/Report	Source	Purpose
Broad PFM/Fiduciary Assessments		
Public Expenditure and Financial Accountability assessments (as available)	PEFA Website	To understand PFM/fiduciary issues/ gaps/risks and how the systems have evolved, and the gaps addressed over time
IMF Report (Article IV)	IMF Website	
Report on the Observance of Standards and Codes Accounting and Auditing	ROSC Website	
Supreme Audit Institution Performance Monitoring Framework (as available)	SAI PMF	
Open Budget Survey	IBP Website	
CPS Papers and Country CPS reviews		
Country Partnership Strategy and linked documents	ADB Document archive	To review which areas of support are incorporated in CPS; to inform the effectiveness of ADB’s support to strengthen PFM systems during the period
Governance Assessments/Governance and Macroeconomic Pillars Assessment		
Country Assistance and Program Evaluation		
CPS Final Review Validation		
IED/OAG/OAI reviews		
IED sector reports	IED	To find systemic FM issues and gaps in ADB-financed projects
OAG/CTL Reports (if available)	OAG	
Proactive Integrity Reviews (PPRRs)	OAI	
Sector Reports		
World Bank Public Expenditure Reviews (PER)	World Bank PERs	To review systemic FM issues in the sector in which the agency belongs.
World Bank FinHealth: PFM in Health Toolkit	FinHealth: PFM in Health Toolkit	
World Bank FinEd: PFM in Education Tool	FinEd: PFM in Education Tool	
ADB Operations Internal Data (population: Active; 5 years most recent)		
Active Lending Projects	SovOps	To inform the evolution of overall portfolio during the period
Active TA Portfolio	SovOps	
FM Performance Data	FMiD	To analyze evolution of project performance and issues

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Appendix 6 continued

Project Data (Based on Sample - to see evolution of fiduciary work at sector/agency/project level)		
Report and Recommendation of the President	ADB Document Archive	To analyze agencies' risk assessments and if/how they were strengthened over time
Project Administration Manual		
Project Completion Reports		
Project Performance Evaluation Reports		
Financial Management Assessments		
Project Performance Reports		
Technical Assistance Data		
Technical Assistance for Financial Management	FM STAT tool	To evaluate ADB support and capacity building provided to strengthen fiduciary systems at country and/or agency level)
Technical Assistance Reports	ADB Document Archive	
Technical Assistance Completion Reports		
Trainings/Capacity Building provided by ADB		
Other Development Partners (Identify PFM Loans/grants/Technical Assistance and see Project Administration Documents and Implementation Status Reports)		
World Bank Portfolio	World Bank Website	To identify evolution of other DPs portfolio, find if other DPs are supporting strengthening Fiduciary systems at country and/or agency level (which areas and to which agencies) and evaluate if there are areas for future collaboration.
World Bank Country Partnership Framework		
World Bank Country Diagnostic		
Country Risk Assessment Report	World Bank /Islamic Development Bank/ Other Development Partners Website	

ADB = Asian Development Bank, CPS = country partnership strategy, DP = development partner; FM = financial management, IBP = International Budget Partnership, IED = Independent Evaluation Department, IMF = International Monetary Fund, IsDB = Islamic Development Bank, OAG = Office of the Auditor General, OAI = Office of Anticorruption and Integrity, PEFA = public expenditure and financial accountability, PER = public expenditure review, PFM = public financial management, SAI PMF = supreme audit institution performance monitoring framework, TA = technical assistance.

Source: ADB.

Appendix 7: Monitoring SAFMA Strengthening Pathways

To track the implementation of the financial management systems strengthening pathways, a monitoring tool should provide a structured and standardized approach for identifying and monitoring milestones, progress indicators, and ownership of reform/strengthening actions. This framework should inform the 3-to-5-year country financial management knowledge and capacity development plan (KCDP) and be reviewed periodically during the annual country financial management review mission; the preparation of the results-based work plan; and during sector reviews, sector or agency or project missions, and reform dialogues.

Country Financial Management KCDP Template

Pillar	Sector and Agency Accounting and Reporting	Sector and Agency Internal Audit
Sector and Agency Financial Management Assessment (SAFMA) Gap/Weakness	Government accounting software lacks project reporting; financial reports delays; manual accounting	Limited or no project coverage
Target Capability/ Outcome (by Year 5)	Project progress reports financials within 30 days produced by government accounting software	Risk-based internal audit (RBIA) applied to Asian Development Bank (ADB)-financed projects
Intervention Modality	Procure project accounting software; develop/update project financial management manual; provide training	Internal audit charter; RBIA methodology; Internal audit software; training
Year 1	Project accounting software procured/assessment of capacities of government accounting software and gaps/needs for accounting and reporting ADB-financed projects	Charter approved
Year 2	Chart of accounts mapped; pilot in projects	Training
Year 3	Rollout to all projects	Software procured
Year 4	Integrate with treasury	Audit universe updated
Year 5	Decommission accounting software if government accounting software is ready	Quality Assurance Improvement Program (QAIP) in place
Key Performance Indicator and Verification Source	Project statement timeliness (system log); audit trail reports	Internal audit plan, coverage %, Internal audit system reports
Taker/Responsible Owner	Agency Financial Management Department	Agency Internal Audit Unit/Division
Est. Budget (\$)	150,000	120,000
Funding Source (ADB/Technical Assistance/Proj/Gov/ Development Partner)	ADB technical assistance + Project	Government + Development partner
Progress		
Status		
Remarks		

Status Definitions

- No Taker: No implementing entity identified
- Green: On track
- Amber: Delayed but manageable
- Red: Off track or stalled



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