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# Financial Management Risk Control

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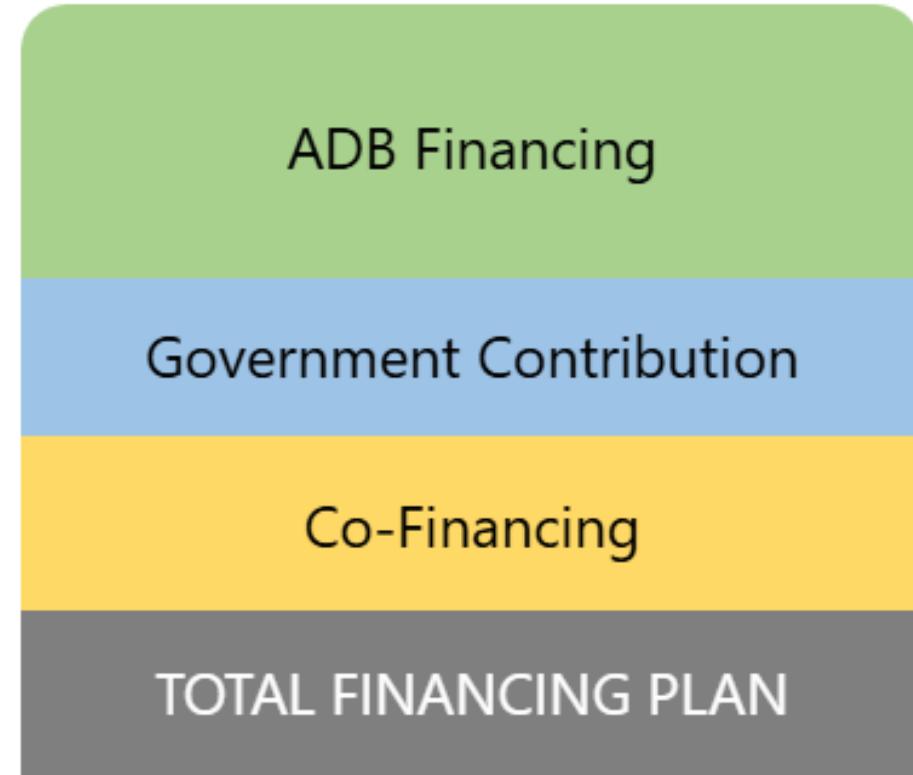
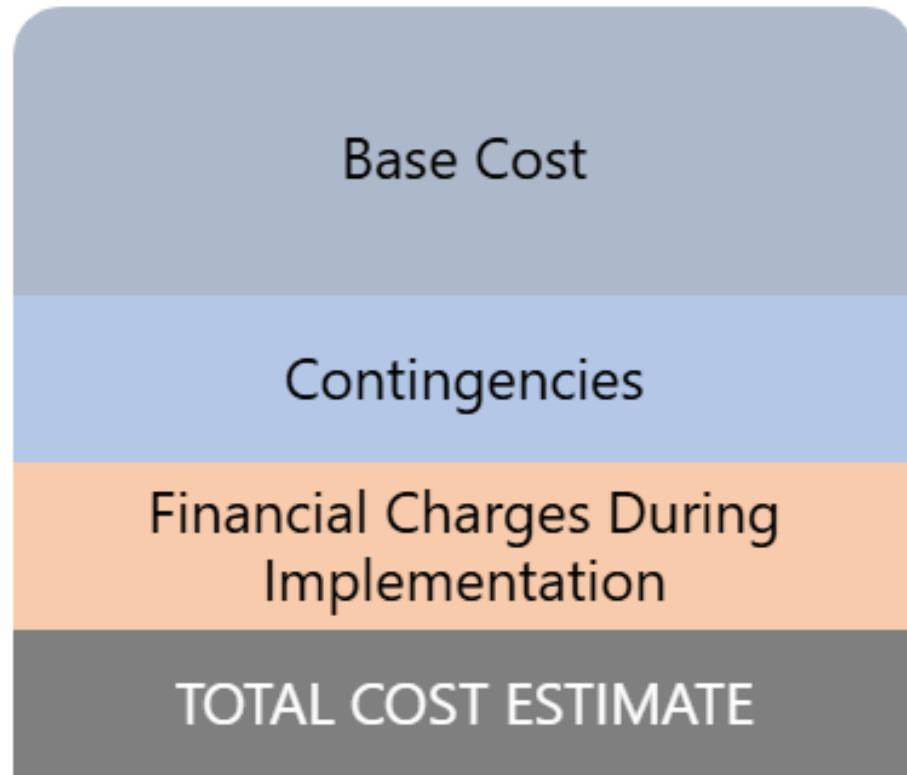


# Financial Management Risks

- 1. Financing**
  - cost estimates, adequacy of funding and forex risks**
- 2. Financial management**
  - transparency, accountability and governance**
- 3. Financial sustainability**
  - operation and maintenance of project assets**
- 4. Going concern assumption for the EA / IA**
  - during project operating life**

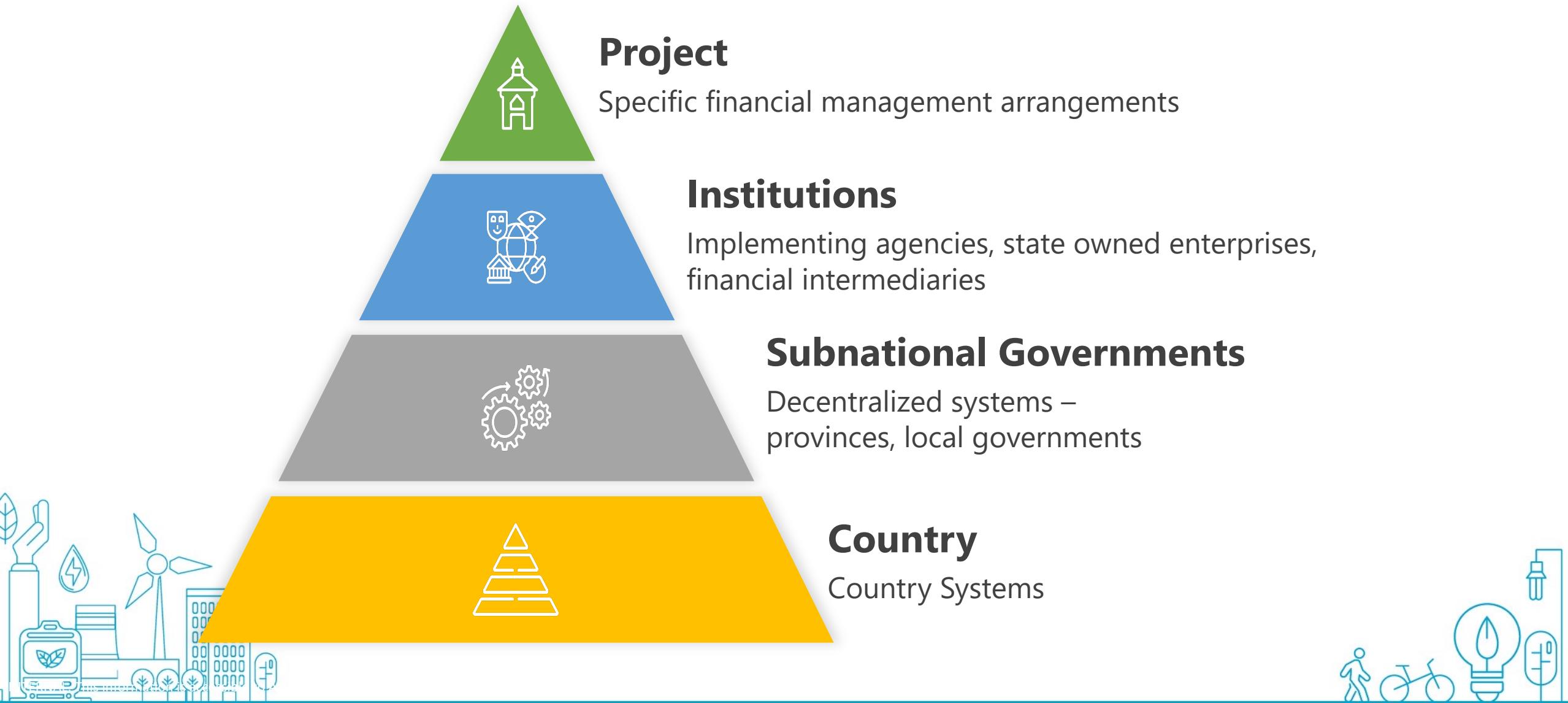


# 1. Financing



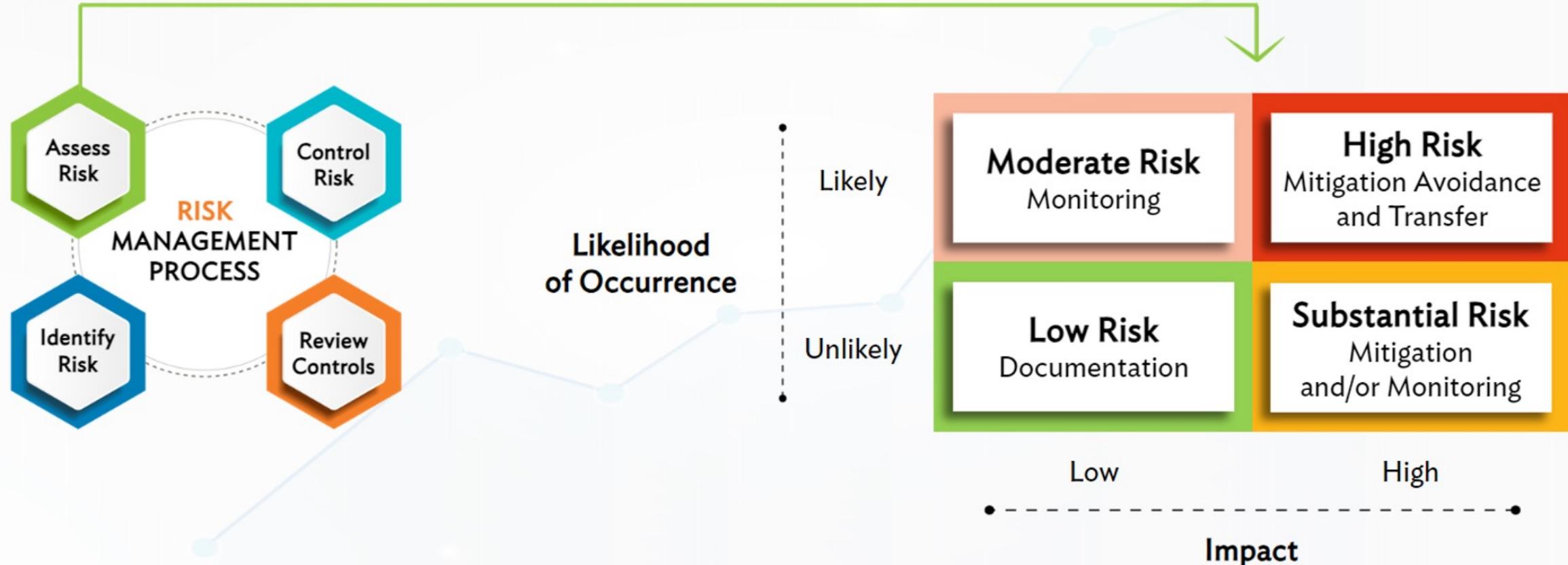
## 2. Financial Management

Transparency, accountability and governance



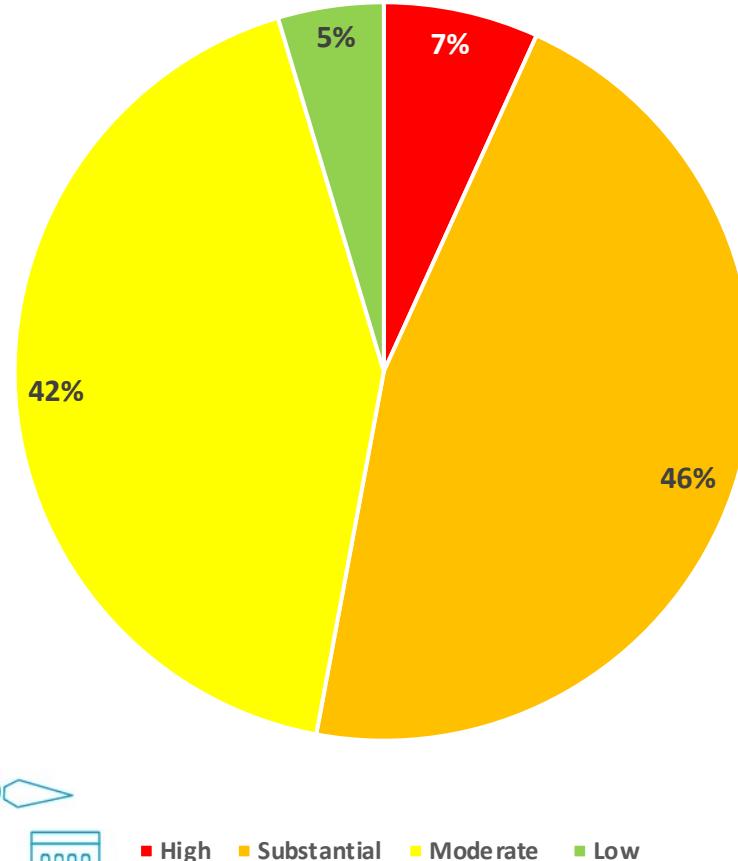
## 2. Financial Management – Risks Rating

### FM Risk Rating

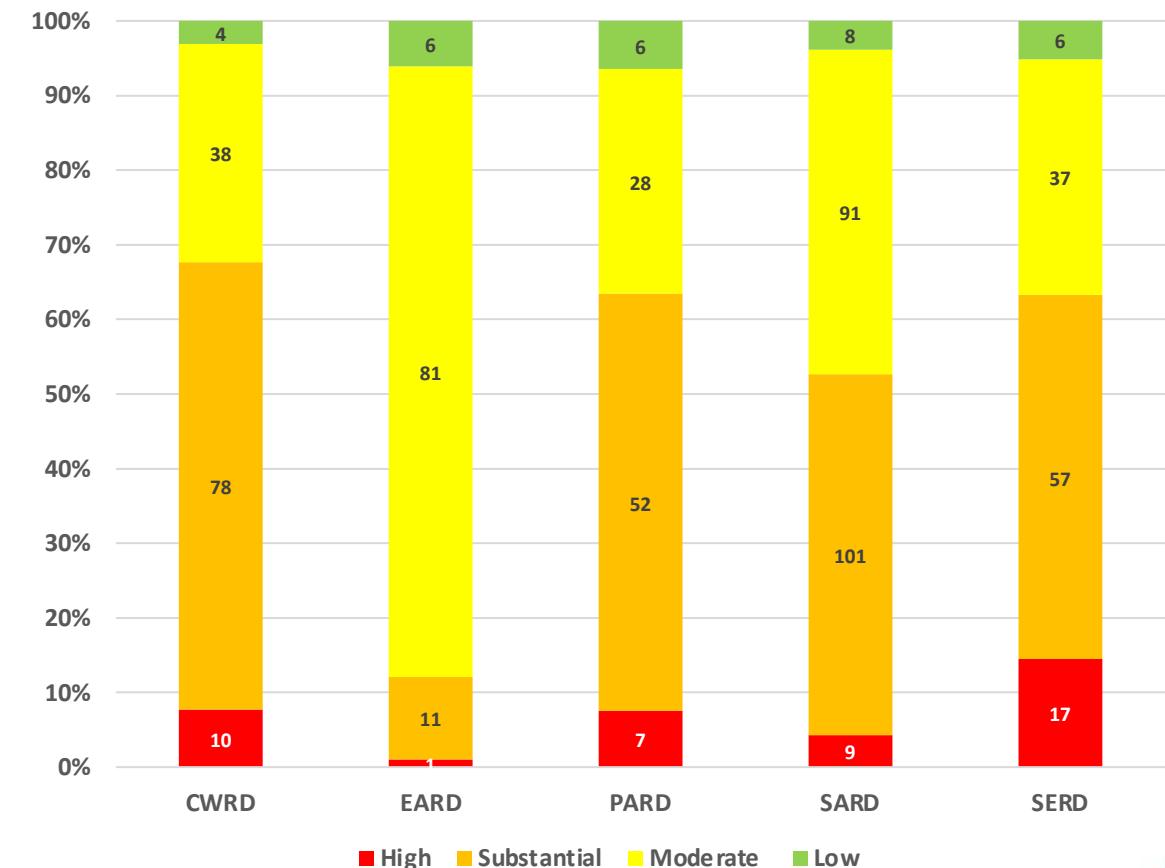


## 2. Financial Management – Risk Profile of ADB Operations

FM Risk Rating for all ADB projects

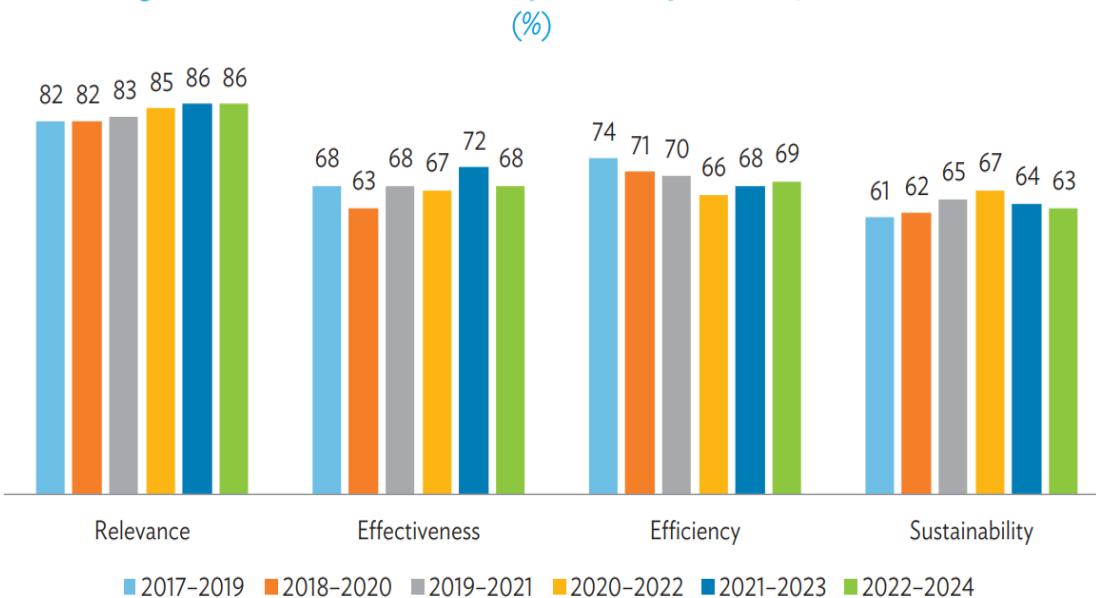


FM Risk Rating for all ADB projects per region



### 3. Financial Sustainability

Figure 3.3: Success Rate of ADB Operations by Criterion, 2017-2024

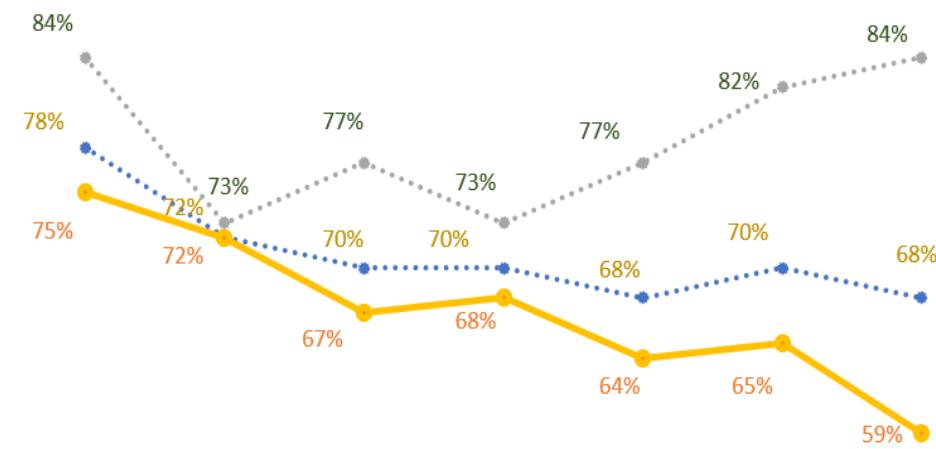


ADB = Asian Development Bank.

Note: An operation's inclusion in a reporting year is based on its completion report circulation date. The 3-year reporting period 2022-2024 is 1 July 2021-30 June 2024.

Source: ADB (Independent Evaluation Department).

Declining success rate of infrastructure projects



2016-2018 2017-2019 2018-2020 2019-2021 2020-2022 2021-2023 2022-2024

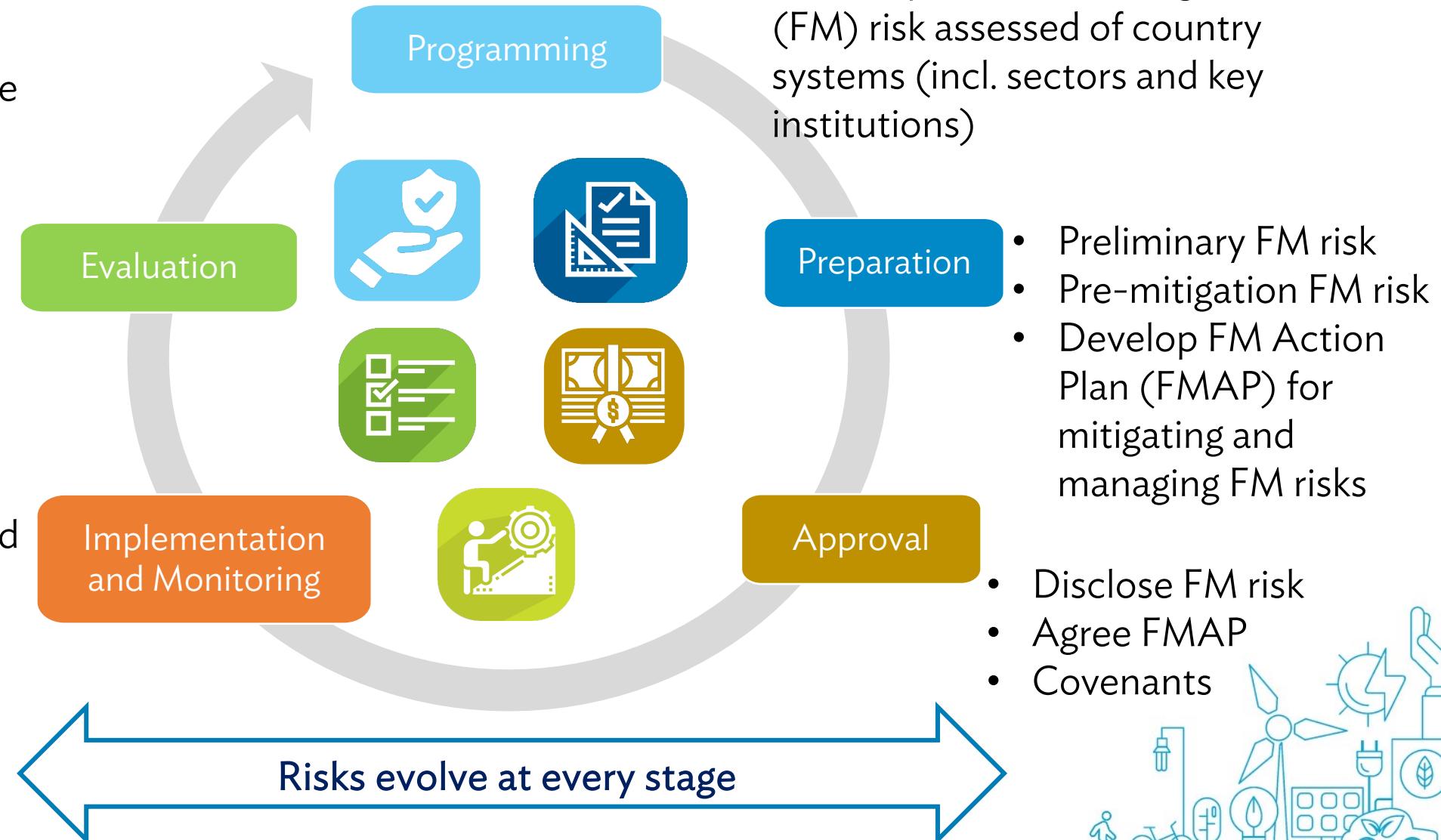
Overall Infrastructure Sectors Non-infrastructure Sectors



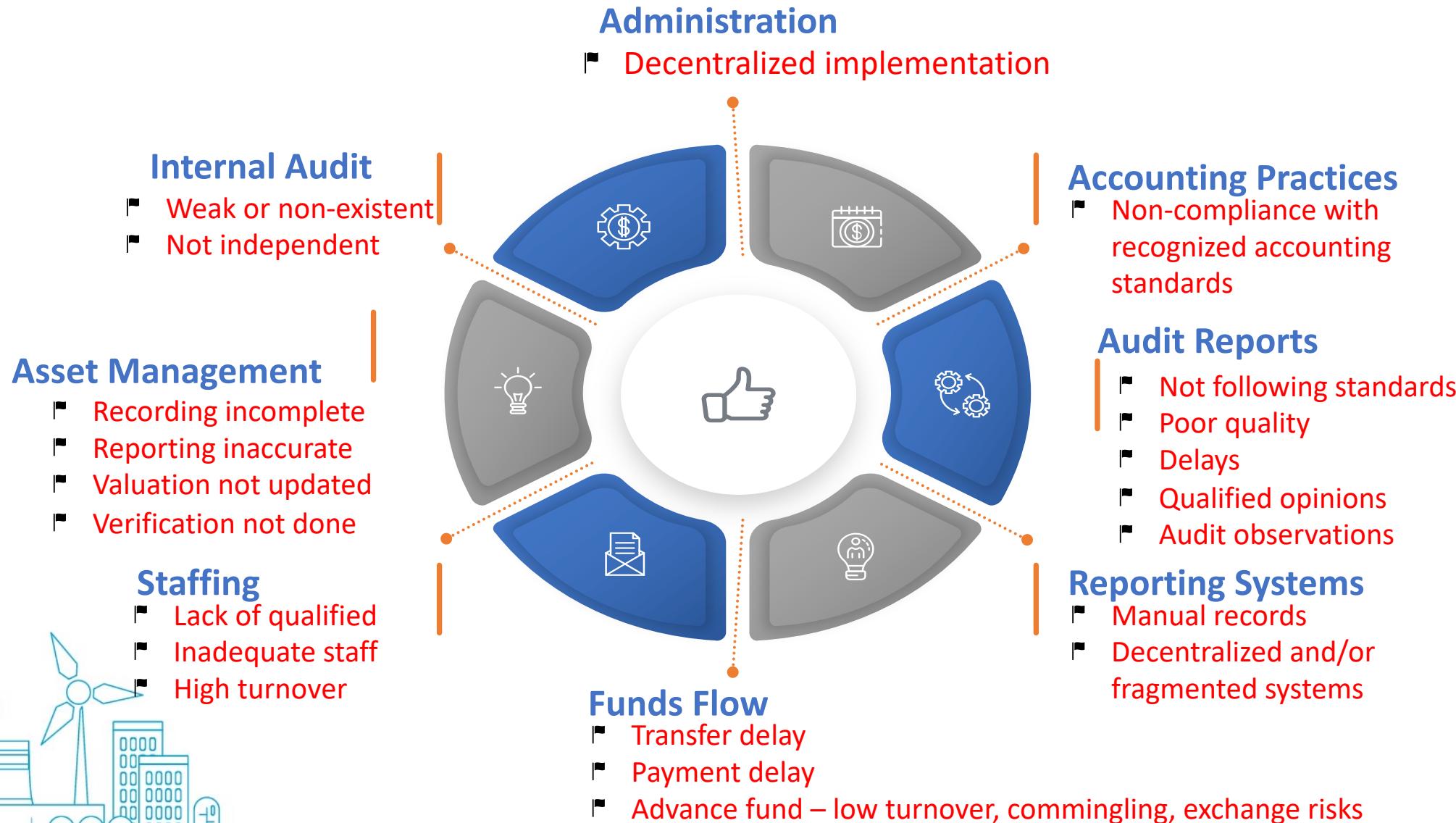
# Financial Management - Risk Identification

## Project Cycle

- Note FM performance
- Note lessons learnt

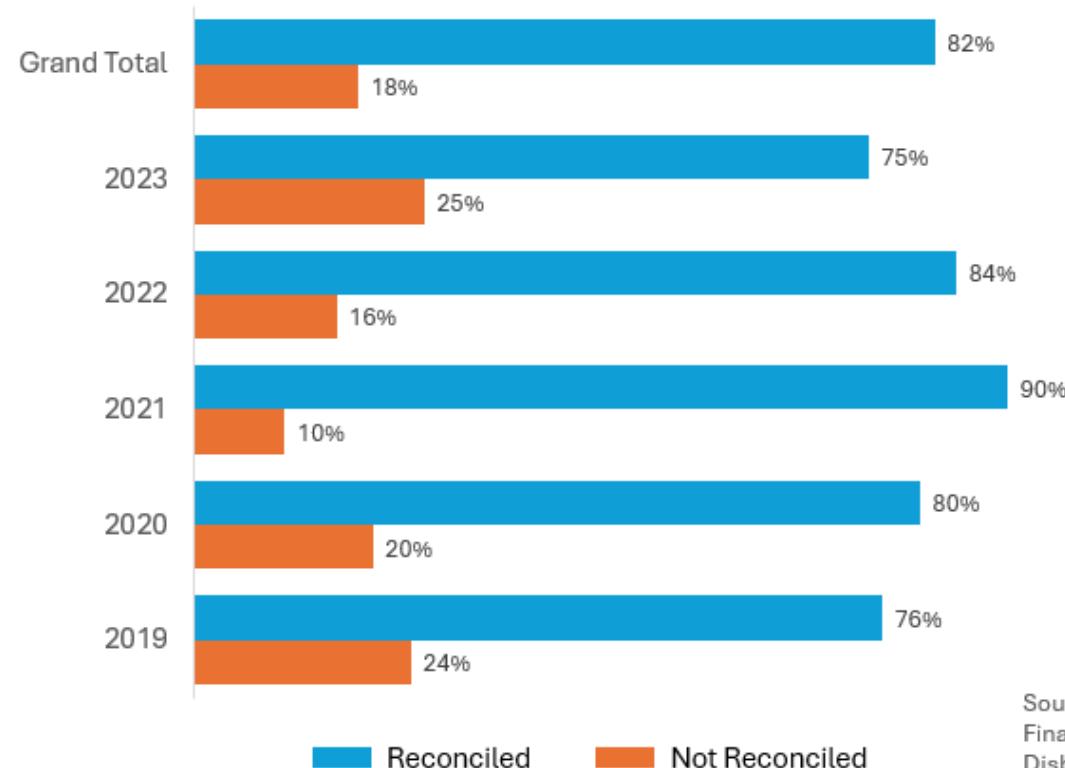


# Financial Management – Early Warnings



# Financial Management - Audit Reports

## Reconciliation of APFS and ADB Disbursements

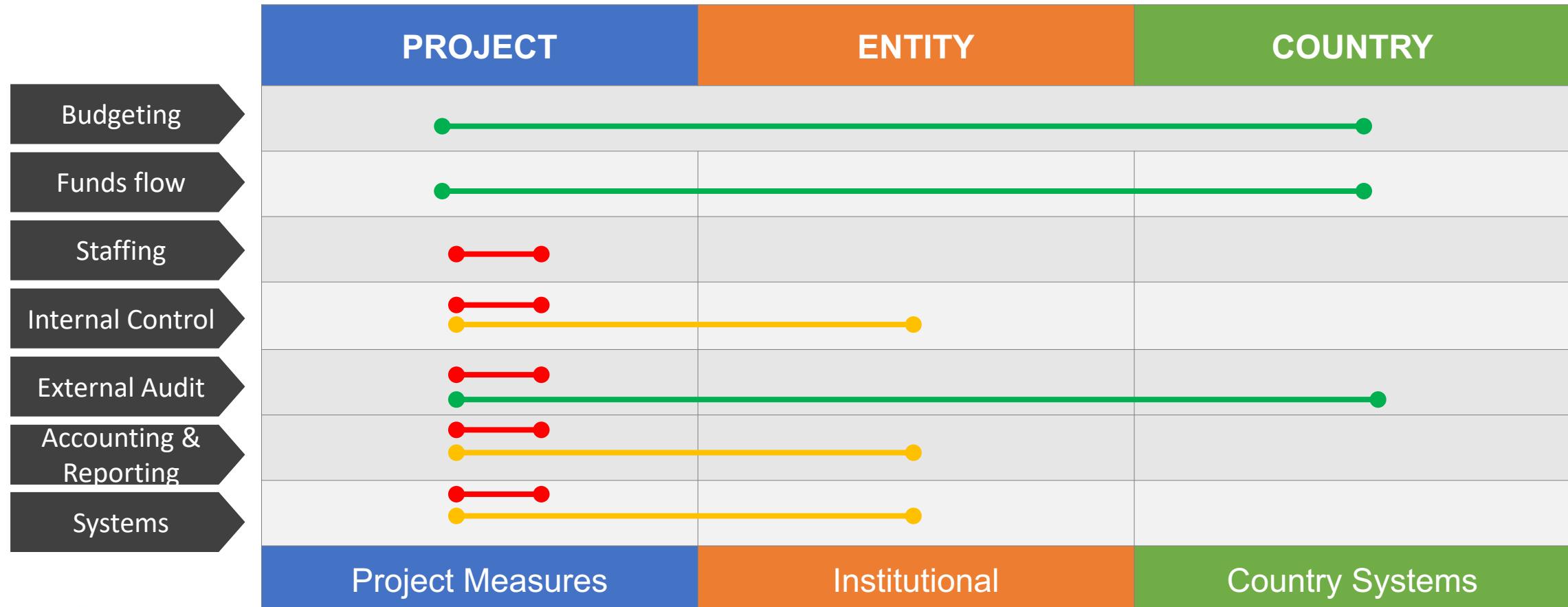


Total of 326 projects reviewed, 267 projects (82%) were reconciled with ADB's records.

The unreconciled difference at PCR amounted to \$320.6 million (Grand Total), which is 1% of total disbursements of \$31,866.9 million.

Source: Draft Report Analysis of Final Audited Project Financial Statements and Reconciliations with ADB Disbursements for PCRs Issued During 2019 to 2023

# Financial Management – Risk Identification



- 
- Country systems
  - Entity systems
  - Ring-fenced systems

# Financial Management – Risk Mitigation

	PROJECT	ENTITY	COUNTRY
Budgeting	<i>Country's systems for budgeting externally financed projects*</i>		
Funds flow	→	<i>Entity system</i>	<i>Treasury system</i>
Staffing	<i>Additional staff for the project</i> <i>Seconded, where feasible</i>		
Internal Control	<i>Supplemented by project FM Manual</i>	<i>Entity's Internal Control Procedures</i>	<i>Government control procedures</i>
External Audit	<i>Private auditor OR</i>		<i>Supreme Audit Institution</i>
Accounting & Reporting	<i>Supplemented by project FM Manual</i>	<i>Leverage entity's accounting and reporting systems, where feasible</i>	
Systems	<i>Standalone project software</i>		
	Project Measures	Institutional	Country Systems

*\*May differ from country to country, where implementing agency is an independent entity.*



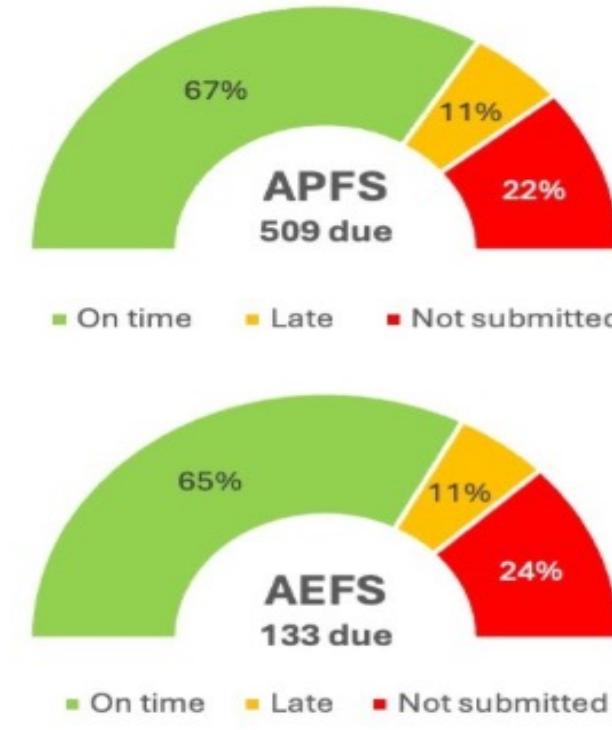
# Financial Sustainability - Risk Mitigation

	ENTITY	COUNTRY
Asset Management	Where implementing agency is an entity, independent of the government: <ul style="list-style-type: none"><li>• Financial ratios are identified</li><li>• Targets are covenanted</li><li>• Covenants are monitored</li></ul>	Asset management policies, systems & practices
O&M funding		O&M funding & utilisation
Profitability		
Solvency		Fiscal and budget position
Liquidity		
Operational efficiency		
Covenants		
Institutional		Country Systems



# Financial Management - Compliance

## Status as of 30 June 2025

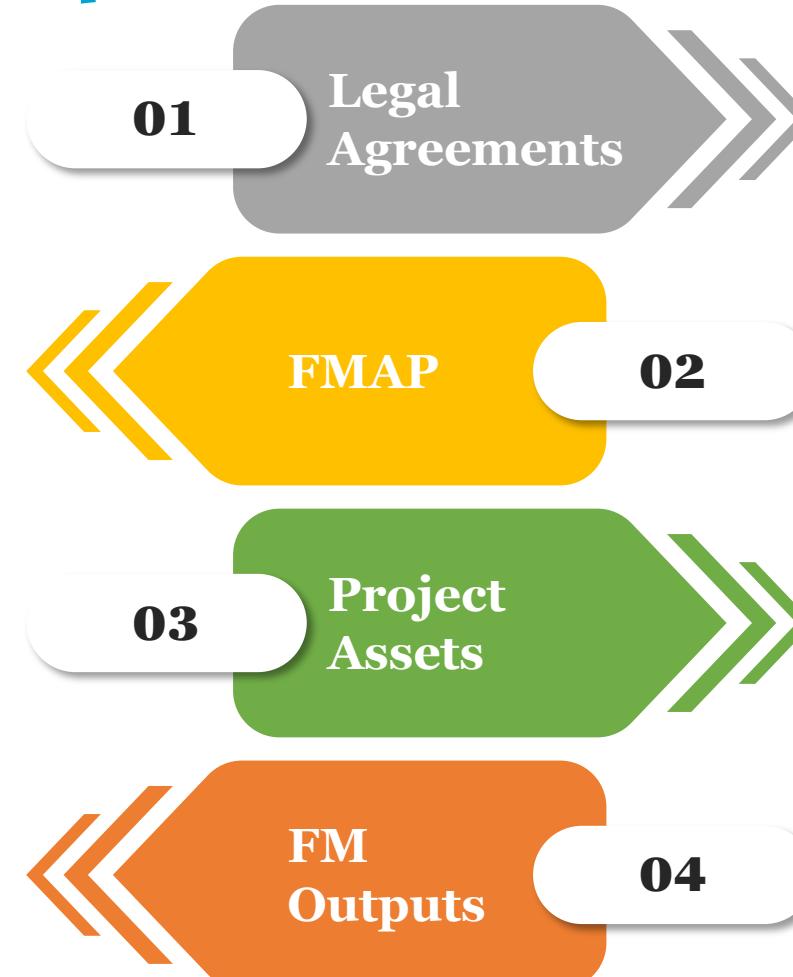


# Financial Management - Compliance

## How we monitor compliance

- Staffing
- Systems
- FM Manual
- Internal Controls
- Budgeting & Funds Flow

- FM outputs in project design (where applicable).



- Audited Project Financial Statements
- Audited Entity Financial Statements
- Financial Covenants

- Asset capitalization and recording
- Physical verification and valuation
- Asset disclosure and reporting
- Operation and maintenance

# Questions?

