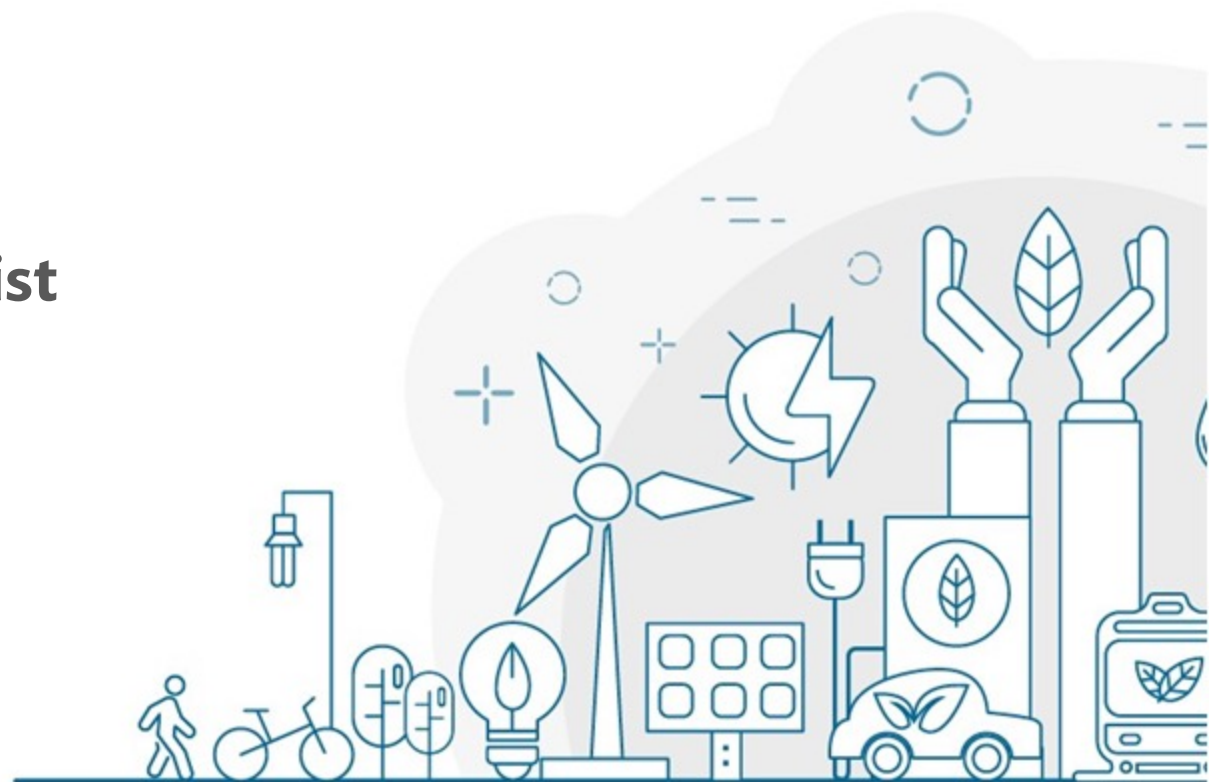


The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.

Financial Management Risk Control

Julitta Ponniah
Principal Financial Management Specialist
South Asia Region



Financial Management Risks

1. Financing

- **cost estimates, adequacy of funding and forex risks**

2. Financial management

- **transparency, accountability and governance**

3. Financial sustainability

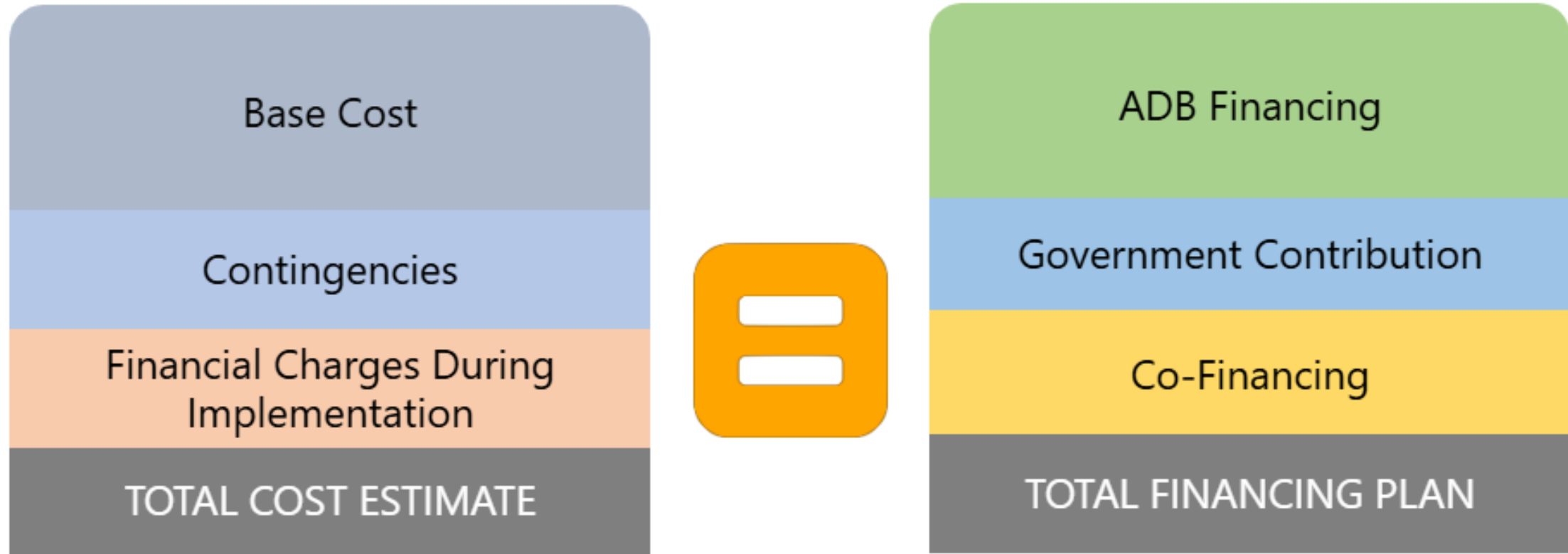
- **operation and maintenance of project assets**

4. Going concern assumption for the EA / IA

- **during project operating life**

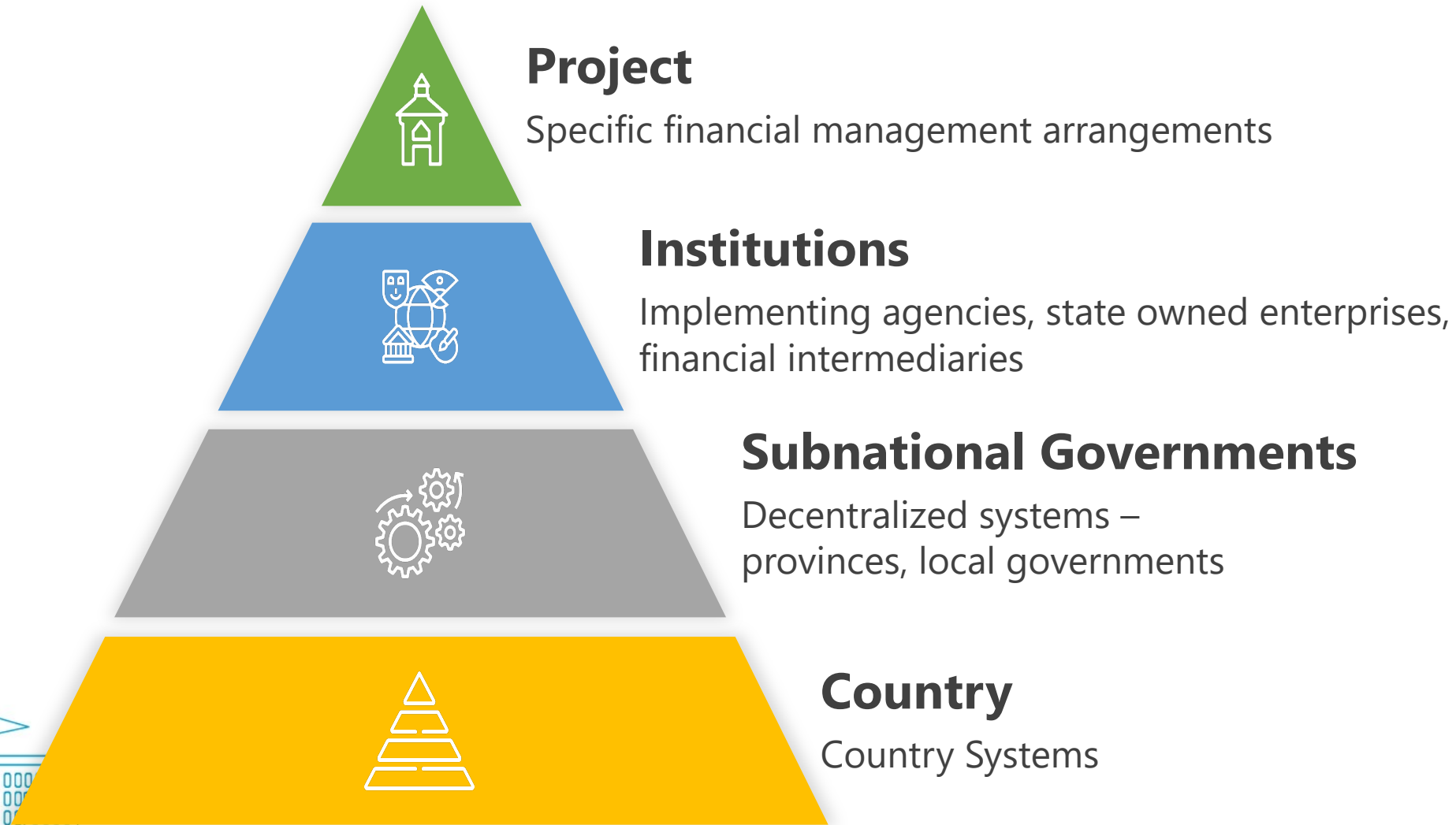


1. Financing



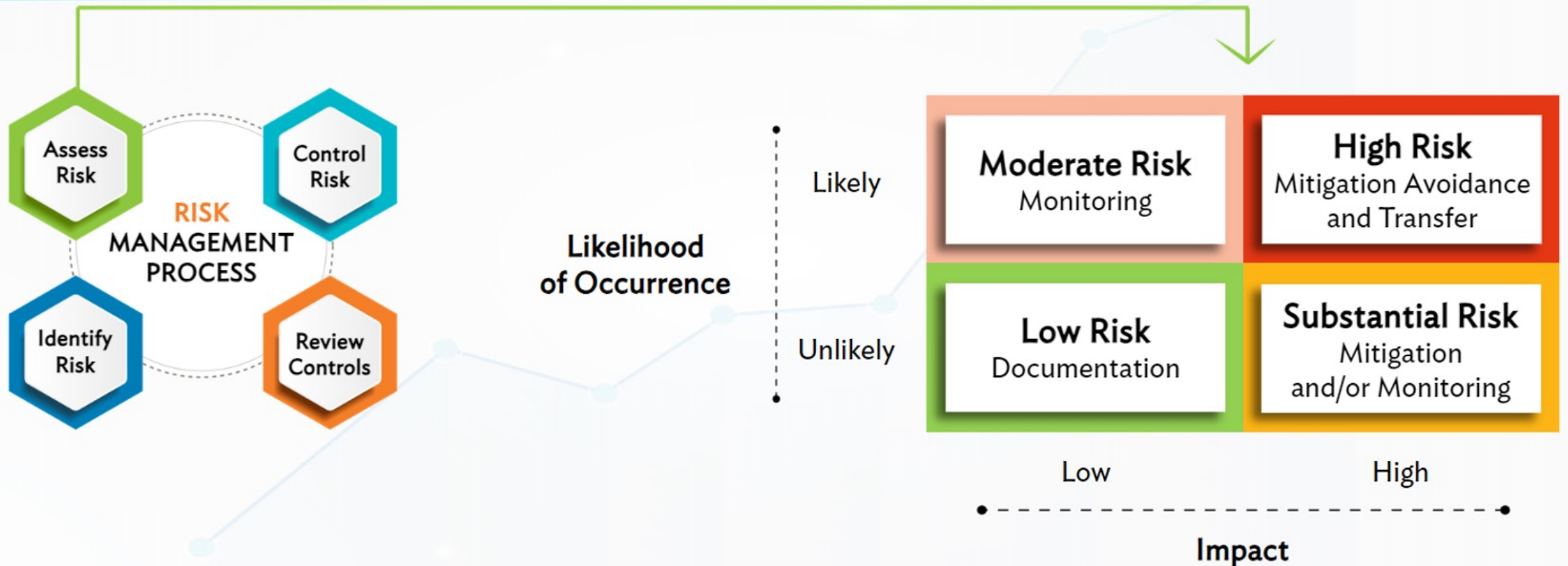
2. Financial Management

Transparency, accountability and governance



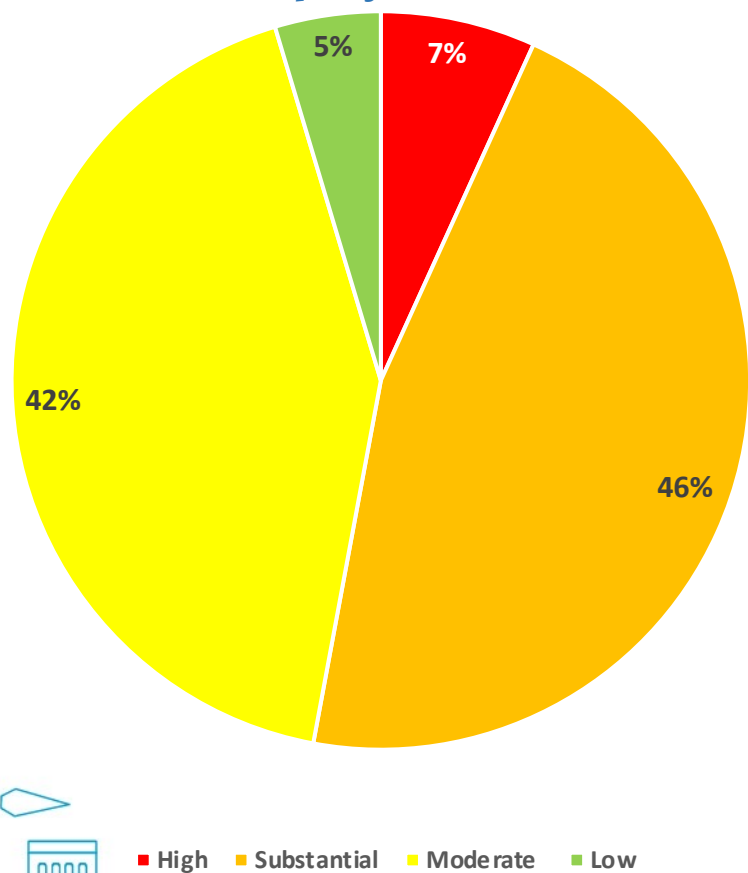
2. Financial Management – Risks Rating

FM Risk Rating

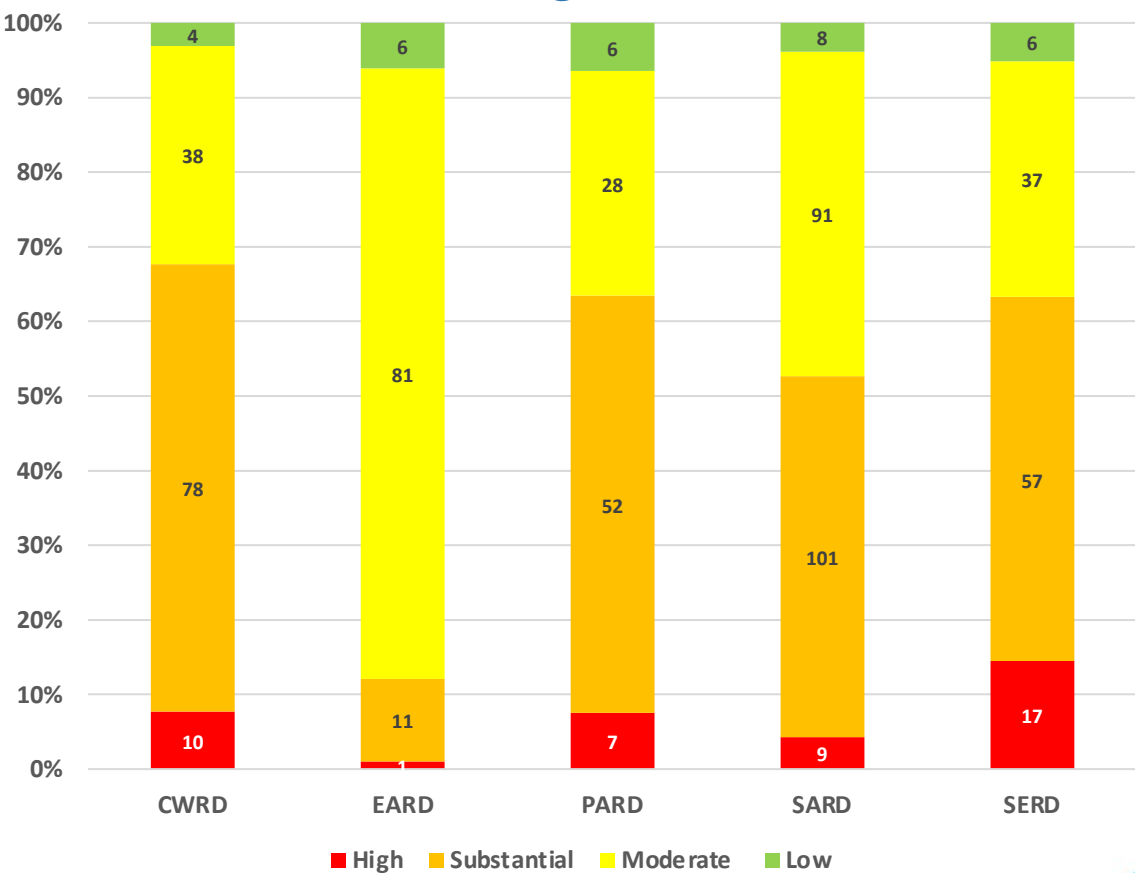


2. Financial Management – Risk Profile of ADB Operations

FM Risk Rating for all ADB projects

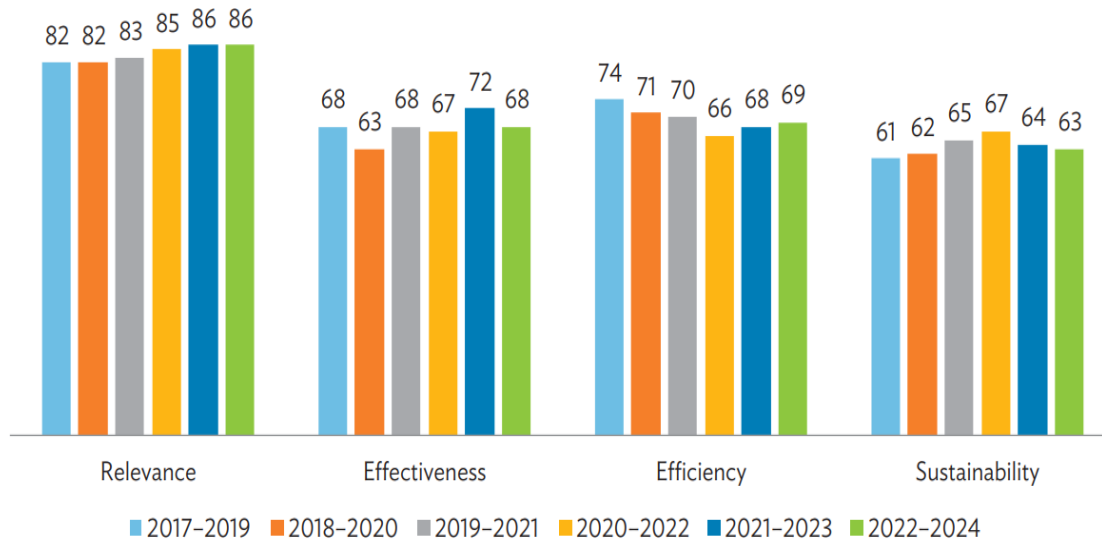


FM Risk Rating for all ADB projects per region



3. Financial Sustainability

Figure 3.3: Success Rate of ADB Operations by Criterion, 2017–2024 (%)

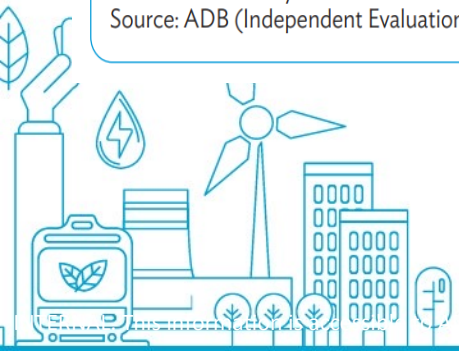
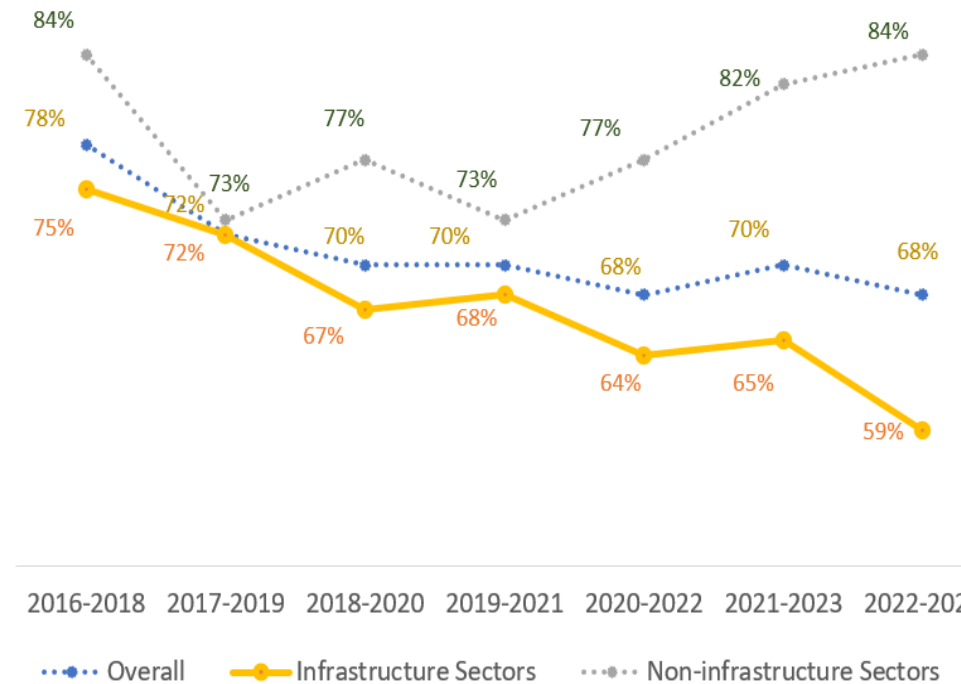


ADB = Asian Development Bank.

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).

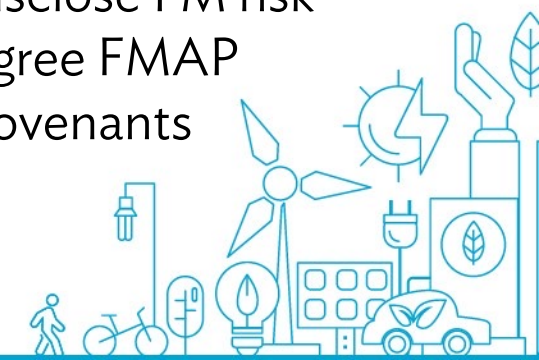
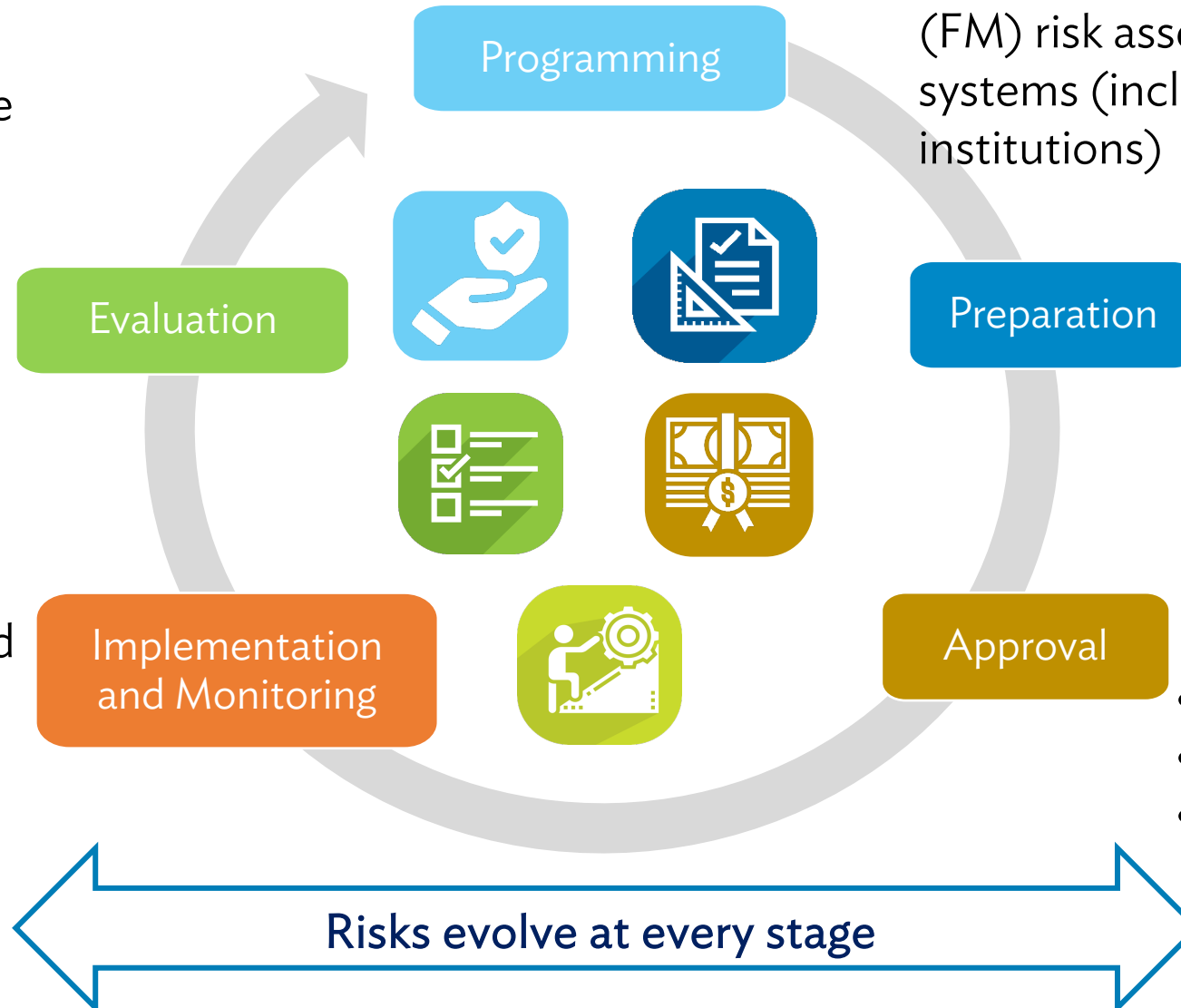
Declining success rate of infrastructure projects



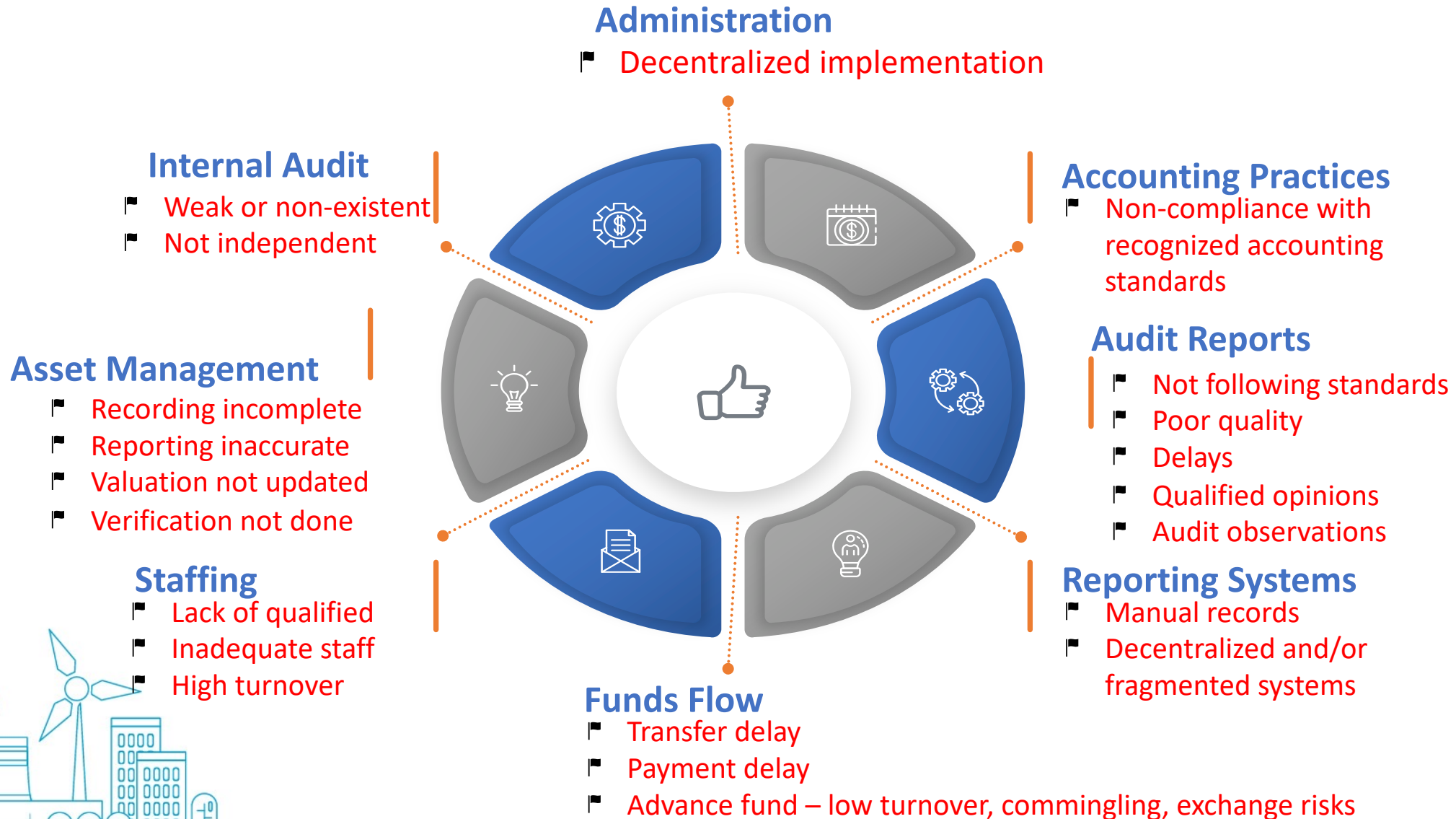
Financial Management - Risk Identification

Project Cycle

- Note FM performance
- Note lessons learnt

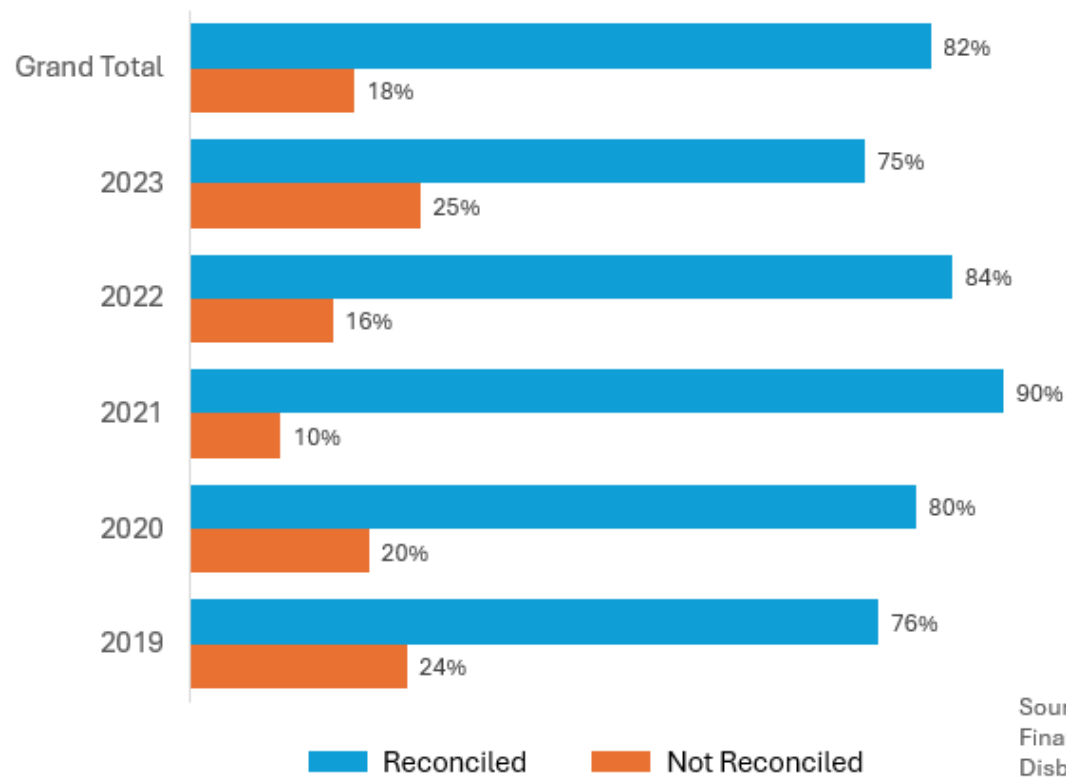


Financial Management – Early Warnings



Financial Management – Audit Reports

Reconciliation of APFS and ADB Disbursements

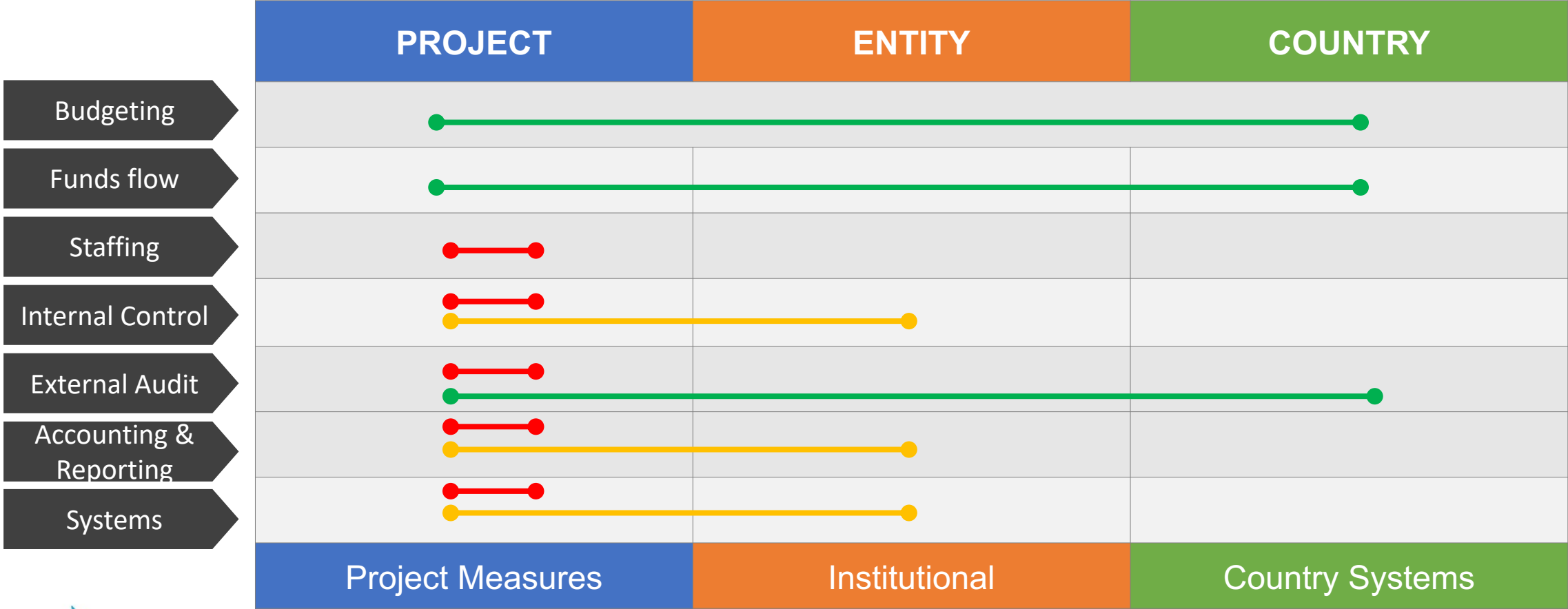


Total of 326 projects reviewed, 267 projects (82%) were reconciled with ADB's records.

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



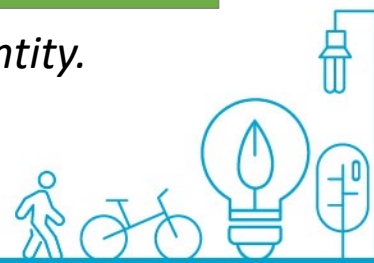
- Country systems
- Entity systems
- Ring-fenced systems



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

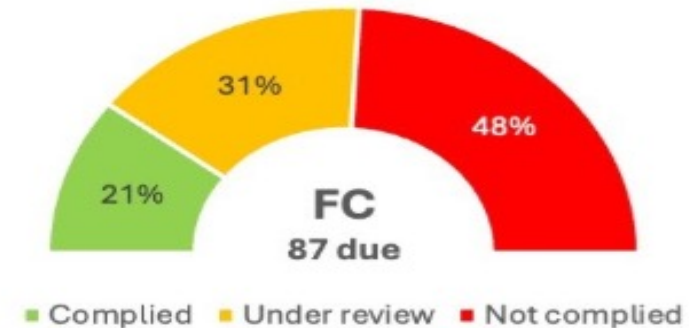
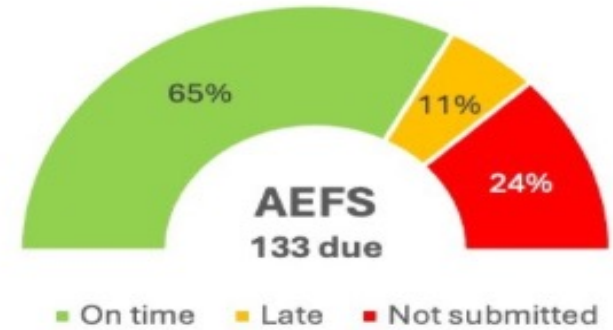
| |
|------------------------|
| Asset Management |
| O&M funding |
| Profitability |
| Solvency |
| Liquidity |
| Operational efficiency |
| Covenants |

| ENTITY | COUNTRY |
|---|--|
| Where implementing agency is an entity, independent of the government: <ul style="list-style-type: none">Financial ratios are identifiedTargets are covenantedCovenants are monitored | Asset management policies, systems & practices |
| | O&M funding & utilisation |
| | Fiscal and budget position |
| 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

01

**Legal
Agreements**

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

FMAP

02

03

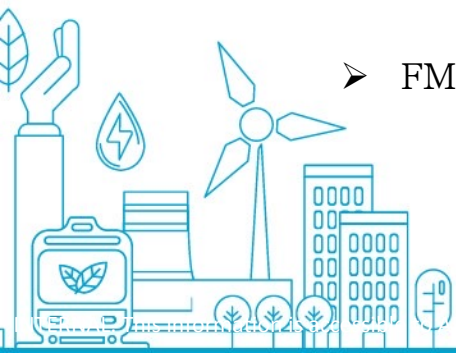
**Project
Assets**

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

**FM
Outputs**

04

- FM outputs in project design
(where applicable).



Questions?

