

OPERATIONS MANUAL POLICIES AND PROCEDURES

These policies and procedures were prepared for use by ADB staff and are not necessarily a complete treatment of the subject. This *Operations Manual* is issued by the Strategy, Policy and Partnership Department (SPD) with the approval of the President and is subject to a compliance review. Questions may be directed to the director general, SPD.

FINANCING PARTNERSHIPS

A. Introduction

1. The Agreement Establishing the Asian Development Bank (the Charter) provides that one of the main functions of the Asian Development Bank (ADB) is to promote public and private capital investment for development in Asia and the Pacific. The Charter promotes cooperation with public and private international institutions and national entities that are concerned with the investment of development funds in the region, and cultivates interest among such institutions and entities in new opportunities for investment and assistance (endnote i).

2. “Financing partnership”¹ refers to an arrangement whereby ADB and one or more partners jointly provide resources in the form of finance, risk-sharing capacity, or in-kind contributions towards common development objectives. Financing partnerships are formalized in an institution-level agreement or other document between ADB and the partner(s). ADB refers to the resources provided by financing partner(s) as cofinancing, which is the third-party financing necessary to deliver the outcome in the design and monitoring framework of the sovereign project.² ADB can fully or partially administer cofinancing, or not administer at all (fully administered by the partner). ADB mobilizes cofinancing for technical assistance and investment projects.

B. Scope

3. This section of the *Operations Manual* (OM) focuses on mobilization of cofinancing for sovereign operations (sovereign cofinancing). It does not apply to nonsovereign cofinancing carried out by the Private Sector Operations Department in accordance with OM section D10 (Nonsovereign Operations). Sovereign cofinancing involving credit enhancement products is carried out in accordance with OM section D9.

C. Policy

4. **Strategic direction for financing partnerships.** ADB’s Strategy 2030 focuses on building strong partnerships for resource mobilization with diverse private and public financial institutions and traditional and new development partners for ADB’s sovereign and nonsovereign operations. ADB will continue to emphasize the mobilization of loans, grants, and concessional finance from bilateral and multilateral partners, but will also seek to expand partnerships with corporate and philanthropic foundations to develop innovative funding and resource solutions for ADB operations. Moreover, ADB will seek more efficient deployment of its single- or multi-donor

¹ Financing partnership arrangements include project-specific cofinancing, financing partnership facilities, trust funds, framework cofinancing arrangements, and global funding initiatives.

² Refer to the Staff Instruction on Business Processes for Financing Partnerships, paragraph 31.

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trust fund resources, and use these resources strategically to promote innovation, enhance project quality, and provide critical support for project implementation (endnote ii).

5. **Administration of cofinancing.** ADB encourages interested partners to enter into cofinancing agreements³ where ADB administers the cofinancing (endnote iii). In general, ADB can only administer cofinancing if it is untied⁴ (endnote iii). In administering external resources, ADB shall follow its own policies and procedures applicable to the processing and administration of grants,⁵ as reflected in the Externally Financed Grant Regulations for grant agreements to be executed by ADB using financing partners' grants (endnote iv).

6. **Service fees.** To cover staff costs and other administrative expenses, ADB applies service fees for full (endnote v) or partial (endnote vi) administration of the technical assistance and investment grant cofinancing⁶, as shown in the table.

Modality	Full Administration	Partial Administration	
Technical Assistance	5%	Not applicable	
Grant Investment Projects	5% for grants up to \$5 million, or 2% above \$5 million, with a minimum of \$250,000 (whichever is greater)	Procurement and disbursement supervision	\$30,000 or 0.1% of the disbursed grant, whichever is greater
		Procurement supervision only	\$30,000 or 0.1% of the disbursed grant, whichever is greater, but with a ceiling of \$100,000 per cofinanced grant

7. Service fees may occasionally differ from those in the table, for example in extraordinary cases of financing partners requiring extra services that fall outside the usual scope of the services normally provided by ADB for administering grants from external sources. In such cases, ADB may adopt customized service fees to recover the costs associated with providing such extra services. ADB may waive fees in exceptional cases, such as when incremental costs for administering financing partner's grants are negligible (endnote v).

8. **Approving authority.** The Board approves financing partnership proposals that involve an exception to any existing ADB policy, a novel design, significant risks, and/or unusual legal obligation or other features. Board approval will be sought under the no-objection procedure unless otherwise decided by the President (endnote vii).

³ Cofinancing agreements document the obligations and responsibilities of both ADB and the financing partner (i.e., financial, fiduciary, and/or administrative).

⁴ Untied cofinancing is when the financing partner does not impose any special procurement restrictions; that is, when ADB's Procurement Policy and Regulations (2017, as amended from time to time) apply. ADB does not provide administrative services in cases where cofinancing deviates from ADB's Procurement Policy and Regulations (2017, as amended from time to time) unless such deviations have been approved by the Board or Management, as appropriate.

⁵ ADB follows the single audit principle, under which its own external auditors have the exclusive right to audit the statements of account for all operations. ADB does not entertain requests for audits or reviews by other external auditors engaged directly by member countries, financing partners, or others.

⁶ For loan cofinancing fee, refer to the Staff Instruction on Business Processes for Financing Partnerships, appendix 2.

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9. The President approves all other cases. The President has delegated to the director general, SPD the authority to approve (i) the establishment of trust funds and financing partnership facilities, (ii) participation in global funding initiatives, and (iii) acceptance of contributions from any financing partner not exceeding \$200 million in the aggregate (endnote vii). The director general, SPD approves framework arrangements and project specific cofinancing agreements in accordance with Administration Order 1.03.

10. The President, acting through the vice-president for Knowledge Management and Sustainable Development, approves the adoption of customized fees and waiver of fees (endnote v).

11. **Board reporting.** The Board will be informed of (i) each new trust fund, financing partnership facility, framework arrangement, or global funding initiative upon approval; and (ii) the acceptance of contributions and the administration of cofinancing semiannually (endnote vii).

Basis

- i ADB. 1966. Agreement Establishing the Asian Development Bank (Charter Articles 2[i] and 2[v])
- ii ADB. 2018. Strategy 2030 (R69-18)
- iii ADB. 1984. Cofinancing with Official Sources (R74-84)
- iv ADB. 2009. Adoption of Externally Financed Grant Regulations (R46-09)
- v ADB. 2009. The Review of the Asian Development Bank's Service Charges for Administration of Grant Cofinancing from External Sources (R189-09)
- vi ADB. 2003. ADB-Administered Grant Cofinancing Partial Administration Modality and Related Service Charges (R289-03)
- vii ADB. 2015. Enhancing Operational Efficiency of the Asian Development Bank (R167-15)