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. A financing partnership is an arrangement whereby ADB and one or more partners jointly provide resources in the form of finance, risk-sharing capacity, or in-kind contributions to achieve common development objectives.1 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 a 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, as well as 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. However, it 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- and multi-donor trust fund resources and use these resources strategically to promote

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1 Financing partnership arrangements include project-specific cofinancing, financing partnership facilities, trust funds, framework cofinancing arrangements, and global funding initiatives.
innovation, enhance project quality, and provide essential support for project implementation (endnote ii).

5. **Administration of cofinancing.** ADB encourages interested partners to enter into cofinancing agreements where ADB administers the cofinancing (endnote iii). In general, ADB can only administer cofinancing if it is untied (endnote iii). In administering external resources, ADB will follow its own policies and procedures applicable to the processing and administration of grants, 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 cofinancing, as shown in the table.

<table>
<thead>
<tr>
<th>Modality</th>
<th>Full Administration</th>
<th>Partial Administration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance</td>
<td>5%</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Grant Investment Projects</td>
<td>5% for grants up to $5 million, or 2% above $5 million, with a minimum of $250,000 (whichever is greater)</td>
<td>Procurement and disbursement supervision: $30,000 or 0.1% of the disbursed grant, whichever is greater</td>
</tr>
<tr>
<td></td>
<td>Procurement supervision only</td>
<td>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</td>
</tr>
</tbody>
</table>

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 ADB normally provides 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 of Directors approves financing partnership proposals that involve an exception to an ADB policy, a novel design, significant risks, and/or unusual legal obligations or other features. Board approval will be sought under the no-objection procedure unless the President decides otherwise (endnote vii).

9. The President approves all other cases. The President has delegated to the Director General, Strategy, Policy, and Partnerships Department the authority to approve (i) the

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3 Cofinancing agreements document the obligations and responsibilities of 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, i.e., 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 unless such deviations have been approved by the Board or Management, as appropriate.
5 ADB follows the single audit principle, which means 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.
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 also approving framework arrangements and project-specific cofinancing agreements in accordance with Administrative Order 1.03.

10. The President, acting through the Vice-President (Sectors and Themes), approves the adoption of customized fees and the 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).

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**Bases**

i ADB. 1966. *Agreement Establishing the Asian Development Bank.* Manila (Articles 2[i] and 2[v]).


iv ADB. 2009. *Adoption of Externally Financed Grant Regulations.* Manila (R46-09).

