

**ADB Partnerships with Bilateral Aid Agencies
(AFD, DFAT, DFID, JICA, and the Netherlands)**

AGENCE FRANCAISE DE DEVELOPPEMENT
Development Partner Case Study

Table 1. ADB–AFD Partnership at a Glance

Partnership Indicators	2000–2004	2005–2009	2010–2014
Memorandum of Understanding	2003		2010
Framework Cofinancing Agreement			2010, 2013
Cofinancing Templates			Yes
Knowledge Partnerships			
Staff Seconded			
• to ADB	0	1	1
• from ADB	0	0	1
Cofinancing: Loans and Grants (\$ million)	311 (161) ^a	423 (348) ^a	1,066
Cofinancing: Technical Assistance (\$ million)	-	4.48	1.35

ADB = Asian Development Bank, AFD = Agence Française de Développement, OCO = Office of Cofinancing Operations.

^a Data in parentheses under cofinancing for 2000 to 2009 exclude collaborative cofinancing, in line with the direct value-added cofinancing definition at the time.

Sources: OCO cofinancing database; ADB. 2011. *Partnership Brief. Cofinancing between ADB and AFD*. Manila.

I. Background

1. Agence Française de Développement (AFD) is France’s official development agency. Since 1941 it has provided financing and support for projects that improve living conditions, promote economic growth, and protect the planet. Its private sector subsidiary, Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), invests in energy-based infrastructure, agribusiness, the financial sector, health, and education projects. AFD also manages the French Global Environment Facility (FFEM) and a grant program for nongovernment organizations (NGOs) financed by the French Ministry of Foreign Affairs. In 2014 AFD funded projects worth €8.1 billion, of which about half were in Africa and the Middle East and 15.5% (€1.2 billion) in Asia. AFD’s staff of 1,744 is based in Paris and 72 field offices (8 in Asia).¹

2. AFD has clearly articulated sector priorities for Asia that focus on climate change, sustainable urbanization, and management of natural resources, but the country focus has expanded considerably from Cambodia, Lao People’s Democratic Republic (Lao PDR), and Viet Nam in the late 1990s to 13 countries today. The Asian Development Bank (ADB) has often been AFD’s preferred partner to introduce it to a new Asian country and to facilitate the beginning of its operations through cofinancing.

3. From the first rural infrastructure project in Viet Nam in 1997, AFD cofinancing with ADB has grown to a total of \$1.8 billion in the 1997–2014 period in the urban, energy, water, and finance sectors in nine countries—Bangladesh, Cambodia, People’s Republic of China (PRC), Indonesia, Lao PDR, Pakistan, Philippines, Sri Lanka, and Viet Nam. In 2004 AFD established a \$4.5 million technical assistance cooperation fund administered by ADB for project preparation in the Greater Mekong Subregion (GMS) and other countries. In 2013 the ADB-AFD Framework Cofinancing Agreement (FCA) was amended to include an indicative target for each institution to dedicate \$1.3 billion over 3 years to cofinance joint projects.

II. Key Areas of Collaboration

4. The most significant area of ADB-AFD collaboration has been in project and program cofinancing (Table 2).

¹ In Bangkok (Thailand), Beijing (People’s Republic of China), Hanoi (Viet Nam), Islamabad (Pakistan), Jakarta (Indonesia), Manila (Philippines), Phnom Penh (Cambodia), and Vientiane (Lao People’s Democratic Republic).

Table 2. Evolution of ADB-AFD Loan and Grant Cofinancing

Period	Countries	DVA Cofinancing		Non-DVA Cofinancing		Total Cofinancing		Average Project Size (\$ million)
		No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	
2000–2004	2	4	161	12	150	16	311	19
2005–2009	4	5	348	3	75	9	423	47
2010–2014	5	12	1,066	-	-	16	1,066	67

ADB = Asian Development Bank, AFD = Agence Française de Développement, DVA = direct value-added.

Sources: ADB Office of Cofinancing Operations (OCO) cofinancing database; ADB. 2011 *Partnership Brief. Cofinancing between ADB and AFD*. Manila.

5. Cooperation started in the late 1990s in Viet Nam, and expanded in the following years to Cambodia and Lao PDR, mostly on small-scale projects for rural and urban infrastructure, irrigation, and river basin management. The first qualitative jump took place in 2002, when AFD funded a policy-based operation for the first time, the Viet Nam Second Financial Sector Program, jointly with ADB and the KfW Development Bank. The 2005 GMS Nam Theun 2 Hydroelectric cofinanced project in Lao PDR included a combination of public and private sector financing and guarantees for a large scale cross-border hydropower development.²

6. AFD has been a very active partner in the GMS, from which it has expanded its operations into the PRC. In the PRC, AFD started cofinancing operations with ADB through two transport sector projects in 2004–2005.³ The pattern was repeated in Pakistan, Philippines, and Sri Lanka during 2005–2009 and in Bangladesh and Indonesia in 2010–2014. AFD would often cofinance its initial projects in a new country with ADB, enabling it to become familiar with the country context and institutions, before expanding its operations. Through this approach AFD has expanded its Asia program to a total of 13 countries, in 9 of which it has had multiple cofinancing activities with ADB. By facilitating the geographical expansion of AFD's program, ADB has helped promote an eight-fold expansion of French financial flows to the region from \$153 million in 2002 to \$1.2 billion in 2014.

7. Cofinancing between ADB and AFD started on a parallel basis: all four projects in the 2000–2004 period were classified as collaborative cofinancing. The following period saw this trend reversed: five out of six joint projects during 2005–2009 were partially or fully administered by ADB, a sign of AFD reliance on ADB to expand its operations in Asia. During 2010–2014 there were six partially administered projects and nine cases of collaborative cofinancing, a result of stronger AFD field presence. During 2000–2014, 21 projects were cofinanced with AFD, of which 9 have been completed. Of these, six have project completion report (PCR) ratings, and four were rated *successful*.

8. Cofinancing of technical assistance (TA) operations has been by comparison very modest, partly because AFD grant sources are limited. To overcome this, in 2004 AFD established a \$4.5 million Cooperation Fund for Project Preparation in the GMS and in Other Specific Asian Countries. The purpose of the fund was to support the expansion of AFD cooperation in and beyond the GMS. The fund was used to finance studies on power sector connectivity in the GMS, and as of 31 December

² The project was the largest ever foreign investment in the Lao PDR, the world's largest private sector cross-border power project financing, the largest private sector hydroelectric project financing, and one of the largest internationally-financed independent power producer (IPP) projects in Southeast Asia since the 1997 financial crisis. In addition to ADB and the World Bank, who played the lead roles in structuring the \$1.5 billion transaction, AFD, the Nordic Investment Bank (NIB) and the European Investment Bank (EIB), export credit agencies (Coface, GIEK and EKN), nine US dollar commercial lenders, and seven Thai baht commercial lenders were involved.

³ Since then, AFD operations in the PRC have expanded significantly, without additional cofinancing with ADB. By January 2014, AFD's total net commitments in PRC had reached €1.1 billion, covering 23 projects in different fields (energy efficiency and clean energy production; sustainable urban development, including district heating, thermal rehabilitation of buildings, and intermodality; and protection of natural resources and biodiversity) in several provinces. These projects were not cofinanced because the PRC government discourages joint projects by development partners, although there are now signs that the trend may be changing, and ADB and AFD country directors have met to explore possible future cooperation.

2015 it had a remaining balance of \$0.6 million. AFD also cofinanced \$900,000 of capacity building through the GMS Phnom Penh Plan for Development Management.

9. The 2010 Partnership Framework Agreement between the two institutions explicitly mentions the desire to pursue joint research, develop knowledge products, enhance information and knowledge sharing, and conduct joint analytical work.⁴ In reality, limited progress has been made in knowledge partnership, with the exception of some AFD cooperation with the ADB Institute (ADBI). This may be partly because the respective macroeconomic and research departments have not taken part in the annual consultations, and therefore possible joint interests have not been explored. These activities could also suffer from limited finance on the AFD side, which depends mainly on the administrative budget.

10. Secondments have been an important element of collaboration. Initially AFD seconded generalist staff to ADB to improve its understanding of ADB culture and procedures. One of the first secondees went on to open AFD's office in the Philippines, where he became the first country director. In 2011, the relationship was deepened by shifting the focus to sector specialists. At present there is one AFD member of staff (a water specialist) based in ADB's Southeast Asia Department (SERD) in Manila and one ADB member of staff (a transportation specialist) seconded by ADB to Paris. The selection process is rigorous. Available positions are identified by one institution and advertised internally by the other; a few candidates are pre-selected by the seconding institution, and the final choice is made by the receiving institution.

III. Level of Formalization of the Partnership

11. Cooperation between ADB and AFD is one of the most formalized partnerships in which ADB is involved. The 2003 memorandum of understanding (MOU) was renewed through the 2010 Partnership Framework Agreement, following an independent evaluation commissioned by the French Ministry of Finance. The agreement defines a broad scope of activities including: cofinancing; country, sector, and thematic research; joint analytical work; knowledge sharing; and staff exchanges. It places special emphasis on harmonization and reduction of transaction costs, in line with the Paris Declaration and the Accra Agenda for Action. As shown in Table 3, it includes practically all the features one could expect from such an agreement, such as priority countries and sectors; provisions for annual high level meetings and reports; a termination date; dispute resolution methods; a results framework; and agreement on a midterm and a final review.⁵ The governance section of the MOU is very detailed and specifies the role of regional departments and country offices in the management of the partnership. The only area left to case-by-case definitions is intellectual property rights.⁶

12. An FCA 2010–2016 was signed in 2010 and amended in 2013.⁷ It set an initial indicative target of \$600 million in cofinancing over 3 years, which was raised in 2013 to \$1.3 billion for 2013–2016, and includes templates to speed up the conclusion of single-project agreements. In 2010, ADB also signed a framework agreement for private sector cofinancing with PROPARCO, AFD's private sector arm. A cofinancing guide for staff clearly outlines similarities and differences in procedures and timelines.⁸

⁴ ADB and AFD. 2010. *Partnership Framework Agreement Between the Asian Development Bank and Agence Française de Développement 2010–2016*. Manila and Paris.

⁵ See Footnote 4.

⁶ MOUs between ADB and other institutions also leave the determination to specific projects, but some (for example between ADB and OECD) include a default provision that if no other arrangement is defined, both institutions jointly own the copyright, and can exercise it individually provided they acknowledge the other agency's contribution. This helps to avoid stalemates in cases where the issue is overlooked at the project level. There has never been an intellectual property dispute between ADB and AFD, possibly also because knowledge partnerships have been limited.

⁷ ADB. AFD. 2013. *Framework Cofinancing Agreement Amended and Restated Between Asian Development Bank and Agence Française de Développement*. Manila and Paris.

⁸ ADB. 2013. *ADB-AFD Cofinancing Guide*. Manila and Paris.

13. Annual consultation meetings are introduced by high-level staff from the two institutions,⁹ attended by directors general and directors of the relevant departments and, when in Manila, by representatives from AFD's field offices. The program usually includes an overview of developments at the two institutions relevant for the partnership, such as strategic sectoral and geographic priorities, and of progress in joint activities, followed by bilateral discussions at the country or regional level. Minutes are taken and circulated in turn by the two institutions.

Table 3. Features of the ADB and AFD Partnership and Cofinancing Agreements

Memorandum of Understanding		Framework Cofinancing Agreement	
Scope			
Cofinancing	√	Cofinancing targets: \$600 million in 2010–2013 \$1,300 million in 2013–2016	
Knowledge and Research	√		
Joint Analytical Work	√		
Staff Exchange	√	Cofinancing templates	√
Other Purposes	Harmonization	Collaborative template	√
Country Priority	√	Country priority	√
Sector Priority	√	Sector priority	√
Programming			
Annual Programming	√	Annual programming	√
Annual Report	√		
Focal Point	SPD	Focal point	OCO
Role of HQ and Field Offices	√		
Dispute Resolution: amicable—discussion and conciliation		Dispute resolution: constructive engagement—negotiation	
Intellectual Property	Case by case		
Review and Evaluation			
Expiration Date	2016 (6 years)	Expiration date	
Work Program	√		
Results Framework	√		
Review Mechanism	Midterm and final	Review mechanism	As needed
Total Number of Features	17	Total number of features	8

HQ = headquarters, OCO = Office of Cofinancing Operations, SPD = Strategy and Policy Department.

Sources: ADB and AFD. 2010. *Partnership Framework Agreement* and ADB and AFD. 2013. *Framework Cofinancing Agreement Amended and Restated*. Manila and Paris.

14. A second small improvement would come from the inclusion of a default provision for intellectual property rights arising from joint knowledge activities. While case-by-case determination should not be precluded, a default agreement that, unless otherwise specified, the property rights are joint and can be used independently by simply giving credit to the partner, or that creative commons principles will be applied, would help to create a presumption of free utilization of joint research. This has not been an issue so far, possibly because no significant joint knowledge activity has taken place.

15. Data on joint loan and grant projects in Table 2 clearly show that the volume, scale, and geographic distribution of cofinancing has increased, and collaboration on policy-based program loans is now more common. The fact that when restating the FCA in 2013 both partners felt comfortable about setting a 3-year target that was more than double than that set in 2010 shows a commitment in principle to continued strong partnership. Only a limited number of cofinanced projects have been completed. The Dali-Lijiang Railway Project and Western Yunnan Roads Development in the PRC, the

⁹ AFD's director general and ADB's managing director general in 2013 in Paris, ADB's ranking vice president and AFD's director of the Asia Department in 2014 in Manila, AFD's deputy CEO and ADB managing director general in 2015 in Paris. The 2013 meeting was attended by 12 ADB and 17 AFD participants, the 2014 meeting by 17 ADB and 14 AFD representatives, and the 2015 meeting by 10 ADB and 16 AFD staff and management, plus AFD country directors and ADB sector directors via videoconference.

Tsunami-Affected Areas Rebuilding Project in Sri Lanka, and Northern Power Transmission Project in Viet Nam were rated *successful* in both the PCR and the project validation report.

16. Collaboration on project design follows a well-tested approach. Following tentative identification of possible joint projects during the annual consultation, country programming missions, or project scoping activities, the norm is for joint processing and supervision missions to be fielded based on common terms of reference. Different project processing procedures have on occasion led to delays in effectiveness because ADB conducts loan negotiations before Board approval, whereas AFD often does so after consideration by its Board. If there are cross-effectiveness conditions and AFD loan negotiations slip, as has happened,¹⁰ this can result in ADB effectiveness being affected. The solution is, wherever possible, to avoid cross-effectiveness conditions.

17. A second potential problem linked to ADB administration of AFD funds comes from a mismatch in currencies. ADB processes withdrawal applications denominated in US dollars, whereas the accounting currency for AFD is the euro. AFD has a policy of transferring funds from euros to US dollars to effect a payment only when a \$5 million minimum threshold is reached, which can cause significant disbursement delays for projects that submit withdrawal applications for smaller amounts, and have to wait until the threshold has been reached. Several technical solutions are available, including the creation of a special account for all ADB projects to be drawn down gradually, or the front-loading of AFD disbursements, and it would be beneficial to reach an umbrella solution rather than follow the case-by-case approach currently in use.

18. AFD staff interviews and questionnaire surveys convey a positive assessment of project level cooperation (Table 4). Six AFD staff replied to the survey. Two-thirds of them declared that their experience working in partnership was highly satisfactory and one-third found it satisfactory. When asked to list the three top areas where partnering with ADB adds value, all listed project identification, followed by financing, project supervision during implementation, project development capabilities, and access to policy makers for policy dialogue. Problem areas mentioned by one-half of the respondents included communication and information sharing, followed by limited flexibility in ADB tender procedures. AFD staff indicated they would welcome more involvement (even in an observer role) when policy dialogue is being conducted mainly by ADB or jointly by ADB and the World Bank, and earlier notice if the government is reluctant to engage in cofinancing, or if potential cofinancing opportunities that were the subject of earlier programming do not materialize.

19. The 10 ADB staff who responded to the survey also expressed satisfaction with the partnership, though the proportion was inverted, with 40% considering it highly satisfactory, compared with 67% in the case of AFD staff. AFD support through financing and project supervision during joint missions received the highest marks in terms of value addition to ADB operations, followed by AFD's contribution and knowledge during project identification and design. Approximately half of the ADB respondents indicated that the focus in the future should continue to be on project financing, design and supervision. The main concerns expressed with AFD procedures were with the slower and different timelines for some key steps compared to ADB. Since AFD is a bilateral agency and ADB a multilateral bank, sometimes coordination at the country level (for example in Viet Nam) is made more complicated by the fact that they have different counterparts within the government structure.¹¹

¹⁰ For example, the Dhaka Environmentally Sustainable Water Supply Project, which was approved on 22 October 2013 but became effective after over a year, on 23 February 2015.

¹¹ For example, Viet Nam's relations with ADB are overseen by the central bank (State Bank of Vietnam) and relations with AFD by the Ministry of Finance. The Ministry of Planning and Investment coordinates external cooperation for both, but two different units, responsible respectively for bilateral and multilateral cooperation are the main referent for operations purposes.

Table 4. Perceptions of the ADB-AFD Partnership

Question	AFD rating of ADB	ADB rating of AFD
Experience Working in Partnership		
• Highly Satisfactory	67%	40%
• Satisfactory	33%	60%
• Less than Satisfactory		
• Unsatisfactory		
Value Added by Partnership		
• Financing	67%	100%
• Project Identification	100%	40%
• Project Development	33%	40%
• Project Supervision	67%	70%
• Knowledge and Innovation	17%	40%
• Access to Policy Makers and Policy Dialogue	17%	30%
Areas for Future Partnership Development		
• Financing		50%
• Project Identification		40%
• Project Development		40%
• Project Supervision		40%
• Knowledge and Innovation	67%	50%
• Access to Policy Makers and Policy Dialogue	33%	40%
Problem Areas in the Partnership		
• Partner's Procedures	33%	50%
• Partner's Staff	33%	
• Cost of Partner's Financing		

ADB = Asian Development Bank, AFD = Agence Française de Développement.

Source: Independent Evaluation Department.

20. Collaboration through TA projects has been very limited. There was limited recollection in AFD headquarters of the outcome of the AFD contribution to the GMS Phnom Penh Plan for Development Management. As discussed earlier, one reason for the limited cooperation is that AFD has very limited funds for this purpose and finances most project preparation activities through its administrative budget. The AFD Strategic Orientation Plan 2012–2016 discusses the possibility of establishing an expertise and technical cooperation fund, but the subtext seems to indicate that it will be targeted at the promotion of the expertise of French stakeholders and companies, and may not be available for joint purposes in an untied manner.

21. More significant potential lies in the mobilization, through AFD, of European Union (EU) funds, which ADB has difficulty accessing at the moment because it has not agreed to EU requirements such as the “seven-pillar” assessment and other related checks of ADB systems and procedures because it regards these as intrusive. AFD manages a large annual amount of delegated EU funds, and could mobilize additional funds from this source in support of joint initiatives, taking care of the administration and absolving ADB from fulfilling the onerous EU requirements since AFD already meets these.

22. Knowledge partnerships are probably the area where the gap between ambitions and reality is the most pronounced. AFD staff suggested that AFD’s knowledge partnership is much stronger with the World Bank, Japan International Cooperation Agency, and the Energy and Resources Institute than with ADB. Part of the reason is that both ADB and AFD are very operations-oriented and the development of projects tends to take the precedence over medium- and long-term research and analytical work. A more mundane but equally important explanation is that representatives of the respective research departments (the ADB Sustainable Development and Climate Change Department and Economic Research and Regional Cooperation Department and the AFD Research and Knowledge Directorate) do not take part in the annual consultations. A direct channel of communication on this topic is therefore missing under the current arrangements.

23. Joint evaluations are also mentioned in the Partnership Framework Agreement, but have not been conducted so far. AFD staff indicated that a joint evaluation of budget support through program lending could be an interesting starting point in this area.

24. The above assessment is corroborated by an independent evaluation conducted in 2010 by the French Ministry of Finance.¹² The evaluation concluded that the cooperation had been fruitful, and that the future potential could be enhanced by defining more clearly the respective roles and future areas of cooperation; aligning procedures and monitoring mechanisms; expanding knowledge management and research; and increasing the overall visibility of the partnership.¹³ The influence of these recommendations is visible in the agreement documents signed in and after 2010. Some scope for further progress in these same areas still remains, as discussed in the next section.

V. Conclusions and Future Directions

25. Overall cooperation between ADB and AFD is strong, and guided by clear and detailed framework documents. AFD considers ADB a preferred partner for cofinancing either jointly or in parallel depending on the circumstances. The norm is for joint processing and supervision missions to be fielded based on common terms of reference. ADB has opened the door for AFD to start operations in a number of Asian countries (Bangladesh, Indonesia, Pakistan, Philippines, PRC, Sri Lanka) that go beyond AFD's original footprint in Cambodia, Lao PDR, and Viet Nam. AFD has proven to be a significant source of additional development financing for Asia, which the partnership has helped to materialize. There is a well-established secondment program, with specialized technical staff joining the other organization for periods of a few years based on specifically identified requirements and a transparent advertisement and recruitment process.

26. Areas where the partnership could be strengthened include TA operations, joint analytical work, and the preparation of knowledge products. The most promising areas in the field of TA involve project preparation (for which AFD has already established a fund at ADB) and capacity building or soft components of joint loan projects, where AFD could take the lead in mobilizing EU cofinancing. For joint knowledge products, a good place to start would be the sector and thematic priorities identified in Appendix A to the 2010–2016 Partnership Framework Agreement: climate change, urban development, and regional integration. All three have significant operational implications for both institutions, and joint knowledge activities would benefit lending programs and potentially spur additional collaboration. To facilitate the identification of concrete opportunities it would be essential to involve in the annual consultations representatives of the respective knowledge and research departments, who could conduct a parallel session to the regional programmatic sessions usually held on the second day of the consultations.

27. This assessment identified in addition a number of small interventions which could address some shortcomings brought to light during the interview and review process:

- a tighter definition of the impact and outcome indicators and measures in the Partnership Framework Agreement design and monitoring framework would facilitate stocktaking and evaluation;
- inclusion of default intellectual property rights provisions in the next MOU would facilitate future joint knowledge work;
- avoid including cross-effectiveness conditions in joint projects, in light of the different timelines for loan negotiations, to minimize possible effectiveness delays;
- a technical solution to address the \$5 million threshold for AFD conversion of funds from euros to US dollars would reduce potential disbursement delays; and

¹² AFD. 2010. *Addressing Development Challenges in Emerging Asia: A Strategic Review of the AFD-ADB Partnership*. Paris.

¹³ In the area of visibility, it is interesting that, in spite of the prominent role of the ADB-AFD relationship in the expansion of AFD's presence in Asia and the significant growth in joint projects, ADB is not mentioned once in the 2014 AFD Annual Report.

- joint evaluation of common activities, for example of budget support through program lending or of cooperation in a priority sector for both institutions, would complete collaboration to include the end of the project cycle, and would identify potential issues to be addressed to ensure smooth cooperation.

28. Partnership between ADB and AFD has produced very concrete results and has grown and matured over the years. With some small adjustments it is poised to continue bringing development finance to Asia for many years to come. The two institutions should also take advantage of their substantive annual consultations to explore their respective responses to the changing landscape of international development finance, to which ADB can bring its unique Asian perspective, and AFD an informed European point of view.

Partnership Arrangements and Activities at Agence Française de Développement

1. Agence Française de Développement's (AFD) Strategic Orientation Plan for 2012–2016 underlines the importance of (i) international partnerships with cooperation agencies and development finance institutions, with a particular effort to develop dialogue with European institutions; and (ii) domestic collaboration with French international solidarity organizations, regional and local authorities involved in decentralized cooperation, and companies.¹

2. In 2014 AFD was engaged in more than 150 partnerships with international donors, the United Nations, French regional governments and nongovernment organizations (NGOs), companies, foundations, and think tanks, including 35 new ones. It committed \$1.7 billion to cofinancing agreements (a 70% increase compared to 2009), and provided €58 million in grants to 81 projects conducted by 58 NGOs. During 2008–2014, AFD managed €720 million of funds delegated from the European Union.²

3. Most activities that relate to external partnerships are managed by AFD's Strategy, Partnerships, and Communication Directorate (SPCD), which reports to the chief executive officer. Within the directorate, the Development Agenda and International Partners Division deals mostly with international organizations; the NGO Partnerships Division is the interface with civil society organizations; the Government and External Affairs Division works with members of parliament, French local governments engaged in international cooperation, and the private sector; and the Brussels liaison office interacts with European Union institutions. SPCD also manages the French Global Environmental Facility and includes two more divisions for Communication and Strategic Steering and Accountability.

I. Partnership with International Organizations and Development Finance Sources

4. Following the model of the ADB-AFD partnership, in 2013 AFD signed a memorandum of understanding with the World Bank, followed in 2014 by a cofinancing agreement. The ensuing collaboration road map focuses on sub-Saharan Africa, fragile states, sustainable cities, knowledge production, and climate. An agreement with the African Development Bank is under preparation. AFD manages significant amounts of grants on behalf of the European Union, particularly focused on sub-Saharan Africa. It also partners with a number of bilateral development agencies and foundations, including Switzerland, Department for International Development of the UK (DFID), Sweden, and the Bill and Melinda Gates Foundation, and is at present administering a €17 million grant in Indonesia on behalf of DFID.

5. AFD is a founding member of the International Development Finance Club (IDFC), a worldwide network of 23 national, regional, and international development banks, most of them from emerging and developing countries, including the BRICS. IDFC strives to provide inputs and develop common approaches to development finance and especially climate finance. In 2014, IDFC members provided \$87 billion to finance activities to fight climate change and its effects. In anticipation of the 2015 Paris Climate Summit, IDFC has worked on harmonizing its members' tools, methodologies, and practices, so they can better address climate concerns in financing development projects.³

6. The Mutual Reliance Initiative (MRI), which involves AFD, KfW Development Bank and the European Investment Bank (EIB), is an interesting example of collaboration in the spirit of the Paris Declaration and the Accra Agenda for Action, whose principles are frequently mentioned in AFD's

¹ AFD. 2012. *Strategic Orientation Plan 2012–2016*. Paris.

² AFD. 2015. *Annual Report 2014*. Paris.

³ Recent IDFC activities include (i) development of a methodology to measure the quality of projects and their contribution to climate change reduction; (ii) a joint conference held at the end of March 2015 in Paris; and (iii) preparation of a position paper for the Finance for Development Conference in Addis Ababa in July 2015.

strategic and partnership documents. Signed in 2013 after a 2-year pilot covering 14 projects, MRI delegates to any of the three the role of lead agency, with the authority to process projects on behalf of the other partners, using its own procedures with some integration identified during the pilot phase to meet everyone's requirements (for example, EIB has higher standards for safeguards, and does its own safeguards processing). MRI has defined common standards for technical and financial appraisal; environmental and social safeguards (with some exceptions as mentioned above); compliance review; credit and integrity assessment; and legal documentation. By the end of 2014, 34 projects for €4 billion had been processed using MRI, with EIB playing the lead role for 7, AFD for 14, and KfW for 13.⁴

II. Partnership with Nongovernment Organizations

7. AFD has three windows for financing NGO activities, in addition to the possible hiring of NGOs by the government to execute project components. All three are funded by the French Ministry of Foreign Affairs (MOFA).

8. The first window, transferred from MOFA in 2009, consists of approximately €65 million for 2015, to be increased to €90 million by 2017 of tied funds targeted at French NGOs who involve local civil society in either:

- field projects in developing countries, usually implemented with the participation of local civil society (82% of the funding in 2014); or
- general interest projects, usually targeted at capacity building of French NGOs through coordination platforms to increase their efficiency or effectiveness (through research, studies, evaluations), or aimed at education for development in France (18% of funding).

9. These activities must respect NGOs' "right of initiative" and therefore are not limited to AFD priority areas in a country. Procedurally, NGOs prepare project documents. AFD staff review the documentation, give feedback and suggestions for design improvements, and field supervision missions. The project identification and negotiation cycle is fairly brief (4–6 months) and the burden on AFD staff reasonably low since projects are prepared by NGOs. Any project that receives more than €500,000 requires an evaluation, which is reviewed by AFD staff.

10. The second window (FISONG), which disburses about \$5 million per year, involves AFD issuing a call for proposals for innovative schemes to address development issues. Examples include education; use of IT to improve primary health care delivery; and renewable energy. Usually two calls are issued for \$2.5 million each, and the top two or three proposals for each are funded. To participate, NGOs submit a concept note and a proposed budget and sector divisions select the winners.

11. The third window, called "Program 209", is targeted at "crisis" countries, i.e. countries that cannot borrow and can receive only grants (Afghanistan, countries in central Africa, Haiti, Syria), or is used for emergency response. The amount of funding depends on the number of crisis countries in a given year. Generally, the sectors of intervention are pre-identified for each country. Both governmental entities and local and international NGOs can apply for grants under this window. AFD also funds events jointly with think tanks, using Program 209 resources. Examples include The Energy and Resources Institute (TERI) climate change event in Delhi and an annual conference of the Viet Nam Academy of Social Sciences.

⁴ An initial assessment of MRI shows that if a project is strategically important, joint processing is beneficial, and the approach reduces transaction costs for the client. However, internally, the process is not as efficient, since every agency has to perform its due diligence to present the project to its Board.

III. Partnership with Lawmakers and the Private Sector

12. The Government and External Affairs Division coordinate interaction with French members of parliament and local government entities. Many local governments have their own cooperation programs, often the result of twinning or other arrangements with cities or regions in developing countries.

13. Involvement with the private sector is limited, partly because of the concern to avoid any suggestions that private companies receive unfair access to information or preferred access to AFD procurement. There is a code of conduct that AFD should not favor any company or widely share any information on projects being funded. Companies that engage with AFD usually do so because they see a synergy with their presence in the local markets. For example, Lafarge, a large manufacturer of construction materials, provides technical assistance for the design of affordable houses in association with AFD microfinance programs aimed at local institutions that provide loans for housing in informal areas.

14. A different avenue is cooperation with business associations, for example associations for urban transport, who fund studies or sponsor events. Examples include seminars on sustainable cities, held in Hanoi and Jakarta, where French companies explained their experience and capabilities, or a conference on sustainable cities cofinanced with the Singapore Cooperation Agency.

15. Finally, Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), the private sector subsidiary of AFD, is planning a social business equity fund and working on improving the regulatory environment for social business at the country level.

Knowledge partnerships

16. Research institutions are especially interested in partnering with AFD because of the access they gain to field-level information and to policy makers, and because this exposure helps them formulate relevant research questions. A relevant part of this dialogue is to reframe operational requests into researchable topics that can help promote and design projects. Partnerships with external organizations on common topics of interest are usually identified and defined in a memorandum of understanding, which is followed by project-specific definition of topics, resources, events, and other features. The Research and Knowledge Directorate is in charge of knowledge partnerships.

17. AFD has a partnership with the United Nations Development Programme (UNDP) on the preparation of the *Human Development Report*. One AFD member of staff is embedded in the UNDP team for a period of about 3 months for that purpose. Other examples include cooperation with the World Bank on the preparation of the special chapter of the *World Development Report* and a conference on the quality of growth jointly organized by AFD, England, the Institute of Development Studies in Sussex, and the Japan International Cooperation Agency.

18. The evaluation division is part of the Research and Knowledge Directorate and reports to AFD Management. It participates in the Organisation for Economic Co-operation and Development-Development Assistance Committee evaluation network meetings and other relevant coordination initiatives. When partnering in parallel evaluations with other agencies (for example on the Palestine program with KfW Development Bank and the World Bank), AFD fields joint missions, but each agency prepares its own report. More recently, as part of the MRI, a pilot evaluation was conducted with the other two agencies to assess whether the standards applied were acceptable, for possible future application of the same "lead partner" approach in the area of evaluation.

List of Projects Cofinanced by ADB and AFD, 2000–2014

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
BAN	Power System Expansion and Efficiency Improvement Investment Plan – Tranche 2	Loan	125.0	310.0	Collaborative	09-Dec-13			Active
BAN	Greater Dhaka Sustainable Urban Transport	Loan	45.0	-	Partial Administration	17-Apr-12			Active
BAN	Dhaka Environmentally Sustainable Water Supply	Loan	100.0	250.0	Partial Administration	22-Oct-13			Active
INO	Java-Bali Electricity Distribution Performance Improvement	Loan	50.0	-	Partial Administration	22-Mar-10			Active
INO	West Kalimantan Power Grid Strengthening	Loan	49.5	-	Partial Administration	27-Aug-13			Active
INO	Inclusive Growth Through Improved Connectivity Program, Subprogram 2	Loan	100.0	400.0	Collaborative	27-Nov-13			Closed
PAK	Energy Efficiency Investment Program – Tranche 1	Loan	25.0	60.0	Partial Administration	22-Sep-09			Active
PHI	Local Government Financing and Budget Reform Program (Subprogram 2)	Loan	216.0	225.0	Collaborative	26-Nov-09			Closed
PHI	Local Government Finance and Fiscal Decentralization Reform Program (Subprogram 1)	Loan	150.0	250.0	Collaborative	13-Feb-14			Closed
PRC	Western Yunnan Roads Development (Baoshan-Longling)	Loan	38.0	250.0	Collaborative	28-Oct-03	Successful		Closed
PRC	Dali-Lijiang Railway	Loan	40.0	180.0	Collaborative	02-Dec-04	Successful		Closed
SRI	Green Power Development and Energy Efficiency Improvement Investment Program – Tranche 1	Loan	30.0	150.0	Partial Administration	29-Jul-14			Active
SRI	Tsunami-Affected Areas Rebuilding Project	Loan	13.5	150.0	Full Administration	14-Apr-05			Active
SRI	Jaffna and Kilinochchi Water Supply and Sanitation	Loan	40.0	90.0	Collaborative	29-Nov-10			Active
SRI	Greater Colombo Water and Wastewater Management Improvement Investment Program – Tranche 2	Loan	70.0	88.0	Partial Administration	09-Jun-14			Active
VIE	Strengthening Water Management and Irrigation Systems Rehabilitation	Loan	28.0	100.0	Collaborative	20-Apr-10			Active
VIE	Phuoc Hoa Water Resources (Supplementary)	Loan	25.0	150.0	Collaborative	31-Mar-11			Active
VIE	Integrated Rural Development Sector Project in the Central Provinces	Grant	1.3	90.0	Partial Administration	15-Oct-07			Active
VIE	Integrated Rural Development Sector Project in the Central Provinces	Loan	52.0	-	Partial Administration	15-Oct-07			Active
VIE	Northern Power Transmission Sector	Loan	50.0	120.0	Collaborative	13-Dec-04	Successful		Closed
VIE	Power Transmission Investment Program – Tranche 2	Loan	100.0	110.2	Collaborative	05-Dec-12			Active

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
VIE	Public Private Partnership Support – Additional Cofinancing	Loan	10.0	20.0	Partial Collaboration	23-Aug-13			Active
VIE	Ha Noi Metro Rail System (Line 3: Nhon-Ha Noi Station Section)	Loan	30.0	-	Collaborative	29-Mar-11			Active
VIE	Ha Noi Metro Rail System (Line 3: Nhon-Ha Noi Station Section)	Loan	113.0	293.0	Collaborative	29-Mar-11			Active
VIE	GMS Kunming-Hai Phong Transport Corridor: Yen Vien-Lao Cai Railway Upgrading	Loan	40.0	60.0	Partial Collaboration	19-Dec-06			Active
VIE	Central Region Urban Environmental Improvement	Loan	33.0	44.0	Collaborative	08-Dec-03	Successful		Closed

ADB = Asian Development Bank, AFD = Agence Française de Développement, BAN = Bangladesh, INO = Indonesia, PAK = Pakistan, PHI = Philippines, PCR = project completion report, PRC = People's Republic of China, PVR = project completion report validation report, SRI = Sri Lanka, VIE = Viet Nam.

Source: Asian Development Bank.

**Department of Foreign Affairs and Trade of the Australian Government
Development Partner Case Study**

Table 1: ADB–DFAT Partnership at a Glance

Partnership Indicators	
Memorandum of understanding	2009–2016
Framework Cofinancing Agreement	
Cofinancing Templates	√
Knowledge Partnerships	√
Staff Seconded	
• to ADB	6
• from ADB	
Cofinancing: Loans and Grants (\$ million)	462.9 ^a
Cofinancing: Technical Assistance (\$ million)	175.48

ADB = Asian Development Bank, DFAT = Australian Department of Foreign Affairs and Trade, OCO = Office of Cofinancing Operations

^a Figure as of end 2014.

Sources: OCO cofinancing database; ADB. 2009. *Partnership Framework on Development Between the Asian Development Bank and the Australian Agency for International Development*. Manila; and ADB. 2014. *Partnership Brief. Cofinancing Between ADB and AFD*. Manila.

I. Background

1. Cooperation between Australia and the Asian Development Bank (ADB) dates back to the establishment of ADB. Australia was a founding member of ADB in 1966. It is the fifth largest ADB shareholder with a capital subscription of \$9.8 billion, accounting for 5.8% of total ADB shares. Australia is the third largest contributor to the Asian Development Fund (ADF), with contributions amounting to \$2.28 billion as of end 2014, and became the second largest donor in the ADF XI replenishment.¹ ADB is the second largest multilateral development partner of Australia.

2. Apart from the ADF, Australia has also contributed to other special funds, including the Technical Assistance Special Fund (\$106.29 million), Asian Tsunami Fund (\$3.8 million), Pakistan Earthquake Fund (\$15.04 million), and the Asian Development Bank Institute (\$1.54 million).

3. Australia's aid program largely focused on the Pacific region in the early years of cooperation. Australia's earliest cofinancing in 1973 was for the Telecommunications Project in Tonga.² Geographic coverage has since expanded to include countries in the Greater Mekong Subregion (GMS) and South Asia. Australia's aid program has remained focused on three subregions. It is the largest donor in the Pacific, where it has been working with ADB to address infrastructure gaps, develop enabling environments for business, protect the environment, and provide access to basic services. In Southeast Asia, support has centered on transport, education, health and social protection, water, and public sector management. In South Asia, the focus has been on education, health, and climate change.³

4. A key milestone in the ADB-Australia partnership was the setting up of the Pacific Liaison and Coordination Office in Sydney in 2005, which acts as ADB's representative office in Australia.

5. The bulk of Australia's aid program has been managed by the Australian Agency for International Development (AusAID). In 2013, the Australian aid program was integrated into the Department of Foreign Affairs and Trade (DFAT) of the Australian government. In 2014, the government introduced a new aid policy, *Australian Aid: Promoting Prosperity, Reducing Poverty, Enhancing Stability*, focusing on two development outcomes: supporting private sector development

¹ ADB. 2014. *Australia Fact Sheet*. Manila.

² ADB. 1973. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Tonga for the Telecommunications Project*. Manila.

³ ADB. 2013. *Partnership Brief: Cofinancing with Australia*. Manila.

and strengthening human development. The aid program intends to have a sharper geographic focus on Southeast Asia and the Pacific island countries.⁴ Along with the new aid policy, the government adopted a new performance framework for its aid program—*Making Performance Count*.⁵ The performance framework focuses on linking funding and partner performance to ensure results and value for money. It has 10 strategic goals, including exploring innovative ways to engage with the private sector (goal 2), working with the most effective partners (goal 7), and value for money (goal 8).⁶

6. This report is based on (i) a document review of ADB-Australia partnership agreements and related partnership reports prepared by the ADB Office of Cofinancing Operations, (ii) portfolio analysis of grant and technical assistance (TA) projects cofinanced with Australia, (iii) interviews with DFAT officials during an evaluation mission on 29–30 June 2015, and (iv) survey responses of DFAT and ADB staff involved in cofinancing with Australia.

II. Key Areas of Collaboration

7. Australia has become one of ADB's key bilateral cofinancing partners. Its approach to cofinancing involves grant support for individual projects and trust funds. Australia has contributed to grant funds for TA and components of investment projects through single-donor and multi-donor trust funds. It is a founding supporter of ADB's Water and Clean Energy financing partnership facilities.⁷ A listing of trust funds supported by Australia is shown in Table 1.

8. **Project cofinancing.** During 2000–2014, Australia cofinanced 32 projects amounting to \$563.7 million, of which 2 amounting to \$13.04 million were under a channel financing agreement.⁸ Australia provided project-specific cofinancing for 30 projects totaling \$551 million. This represents 3% of total ADB project-specific cofinancing during the period. Australia ranked 10th among ADB's development partners in terms of cofinancing value.

9. Project-specific grant cofinancing has grown sharply from \$0.9 million in 2000 to \$62.2 million in 2014, with some fluctuations during the period. Cofinancing peaked at \$157 million in 2013. By sector, \$274.5 million (50% of total grant-specific cofinancing by value) supported projects in transport, \$101.0 million (18%) in water, \$68.2 million (12%) in education, and \$54.5 (10%) in health.

10. ADB fully administered 27 cofinanced projects totaling \$425.78 (75% of total cofinancing).⁹ Four projects amounting to \$129.3 million were under collaborative arrangements, and one project for \$8.6 million was partially administered by ADB.¹⁰

11. Project cofinancing has been concentrated on countries in Southeast Asia (particularly in the GMS), South Asia, and the Pacific. Three countries accounted for over 50% of project cofinancing during 2000–2014. Viet Nam was the largest recipient of project-specific grant cofinancing amounting to \$188.8 million (34% of total cofinancing) for four projects in the transport, health, and social protection; and education sectors. Cambodia had six projects with a total amount of \$60 million (11%

⁴ Australian Government and DFAT. 2014. *Australia's New Development Policy and Performance Framework: A Summary*. Canberra.

⁵ Australian Government and DFAT. 2014. *Making Performance Count: Enhancing the Accountability and Effectiveness of Australian Aid*. Canberra.

⁶ Other strategic goals are: promoting prosperity (goal 1), reducing poverty (goal 3), empowering women and girls (goal 4), focusing on the Indo-Pacific region (goal 5), delivering on commitments (goal 6), increasing consolidation (goal 9), and combatting corruption (goal 10).

⁷ ADB and Australia. 2013. *Partnership Brief: Cofinancing with Australia*. Manila.

⁸ These are the Second Road Improvement Sector Project in Solomon Islands (G0175/0176/0177/0207/0210-SOL) and Port Vila Urban Development Project (Loan 2832/G0275-76-VAN), both funded under the Pacific Regional Infrastructure Facility.

⁹ Under full administration, ADB provides a full range of services to the cofinancier, including procurement of goods, works, and services; consultant selection and engagement; supervision of project implementation; and fund disbursement.

¹⁰ Under partial administration, ADB is responsible for procurement of goods and services.

of total cofinancing value) in the transport and energy sectors. Papua New Guinea had five cofinanced projects with a total amount of \$56 million (10% of total cofinancing) in health and social protection, finance, and education.

Table 1. Trust Funds Supported by Australia

Trust Fund	Year Established	Objective	Cumulative Commitments end-2014	Status/Fund Balance ^a
Single Donor Trust Funds				
MOU on Channel Financing	1993	To finance technical assistance and grant components of ADB loans	A\$67.9 million	Fully committed
MOU on Channel Financing Establishing the Australia-ADB South Asia Development Partnership Facility	2006		A\$14 million	Fully committed
Multi-donor Trust Funds				
Gender and Development Cooperation Trust Funds	2003	To increase the participation and empowerment of women in ADB's investment and TA operations	A\$10 million	Fully committed
Cooperation Fund for Regional Trade and Financial Security Initiative	2004	To strengthen systems to combat money laundering, combat financing of terrorism and strengthen port security	A\$1.5 million	Fund balance (\$0.3 million)
Multi-donor Trust Fund under Water Financing Partnership Facility under Water FPF	2006	To support implementation of ADB's Water Financing Program	A\$25 million	\$1.5 million
Multi-donor Clean Energy Fund under Clean Energy FPF	2007	To support projects on energy efficiency, and new and innovative development of renewable energy sources	A\$13.6million	\$26.2 million
Carbon Capture and Storage Trust Fund under Clean Energy FPF	2009	To support clean energy investments	A\$21.5 million	\$28.6 million
	2011		A\$0.20 million	

^a Fund balances as of 30 June 2015.

ADB = Asian Development Bank, FPF = financing partnership facility, MOU = memorandum of understanding, TA = technical assistance.

Sources: Office of Cofinancing Operations, ADB. 2013. *Partnership Brief Cofinancing with Australia*; ADB. 2014. *Asian Development Bank and Australia Fact Sheet*. Manila.

Table 2. Evolution of Australia-ADB Loans and Grants Cofinancing

Period	Countries	DVA Cofinancing		Non-DVA Cofinancing		Total Cofinancing		Average Project Size	
		No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	Amount (\$ million)	
2000–2004		2	6.4	2	13.0	4	19.4	4.9	
	BAN			1	12.0	1	12.0	12.0	
	PNG	2	6.4	1	1.8	3	8.2	2.7	
2005–2009		12	122.13	3	1015.4	15	1,137.5	75.8	
	CAM	2	34.3			2	34.3	17.2	
	INO			1	1000.0	1	1,000.0	1,000.0	
	LAO	2	19.8			2	19.8	9.9	
	PNG	1	3.5			1	3.5	3.5	
	SAM	2	16.6			2	16.6	8.3	
	SOL	3	15.15			3	15.2	5.1	
	SRI	1	7.3			1	7.3	7.3	
2010–2014	VIE	1	25.5	2	15.4	3	40.9	13.6	
		18	435.28			18	435.3	24.2	
	BAN	1	35			1	35.0	35.0	
	CAM	4	25.7			4	25.7	6.4	
	INO	1	48.8			1	48.8	48.8	
	KIR	1	13.95			1	14.0	14.0	
	NEP	1	19.07			1	19.1	19.1	
	PNG	2	46			2	46.0	23.0	
	SOL	2	41.5			2	41.5	20.8	
	TON	2	10.94			2	10.9	5.5	
	VAN	1	31			1	31.0	31.0	
	VIE	3	163.32			3	163.3	54.4	
	Total		32	563.8	5	1029.2	37	1,593.0	43.1
		BAN	1	35			1	35.0	35.0
	CAM	6	59.97			6	60.0	10.0	
	INO	1	48.83			1	48.8	48.8	
	KIR	1	13.95			1	14.0	14.0	
	LAO	2	19.8			2	19.8	9.9	
	NEP	1	19.07			1	19.1	19.1	
	PNG	5	55.9			5	55.9	11.2	
	SAM	2	16.6			2	16.6	8.3	
	SOL	5	56.65			5	56.7	11.3	
	SRI	1	7.29			1	7.3	7.3	
	TON	2	10.94			2	10.9	5.5	
	VAN	1	31			1	31.0	31.0	
	VIE	4	188.82			4	188.8	47.2	

ADB = Asian Development Bank, BAN = Bangladesh, CAM = Cambodia, DVA = direct value-added, INO = Indonesia, KIR = Kiribati, LAO = Lao People's Democratic Republic, NEP = Nepal, PNG = Papua New Guinea, SAM = Samoa, SOL = Solomon Islands, SRI = Sri Lanka, TON = Tonga, VAN = Vanuatu, VIE = Viet Nam.

Sources: Office of Cofinancing Operations, and ADB. 2013. *Partnership Brief: Cofinancing with Australia*. Manila.

12. Of the 32 cofinanced grants approved during the period, 6 are closed and 26 are ongoing. Five of the six closed projects have project completion reports (PCRs), all of which rated the projects *successful*.¹¹ The *successful* rating of three projects was confirmed in project validation reports. Performance ratings of 23 of 26 ongoing projects are on track; two have potential problems,¹² and one has an actual problem.¹³

¹¹ These are: (i) Employment-Oriented Skills Development in PNG (L1706/3632(L)-PNG); (ii) Microfinance and Employment in PNG (L1768/3520(L)-PNG); (iii) Post-Conflict Emergency Rehabilitation (Supplementary) in Solomon Islands (L1823/G0043-SOL); (iv) Road Improvement (Sector) in Solomon Islands (G0048/G0049-SOL); and (v) North East Community Restoration and Development II (Supplementary) in Sri Lanka. The first three projects have PCR validation reports.

¹² These are: (i) HIV/AIDS Prevention and Control in Rural Development Enclaves in PNG (G0042-PNG), and (ii) Education Sector II in Samoa (L2220/G0031/G0032-SAM).

¹³ GMS Rehabilitation of the Railway in Cambodia (2nd Supplementary) (L2288/L2602/G0187-CAM).

13. **Technical assistance.** Aside from investment projects, Australia has also supported ADB's TA operations. Australia was the largest TA cofinancier during 2000–2014, providing \$185.0 million, 26% of total ADB TA cofinancing. By sector, the bulk of TA cofinancing was directed at: multisector (\$52.7 million), public sector management (\$41.2 million), transport (\$29.2 million), and education (\$24.7 million).¹⁴ The top country recipients were Indonesia (\$36 million, mainly for education), Viet Nam (\$27.9 million for transport), and the Philippines (\$22.3 million, mainly for public sector management).

14. About \$81.0 million (43%) of TA cofinancing supported regional TA projects, over two-thirds of which were channeled to the Pacific (\$53.1 million). One of these regional TA projects supported the establishment of the Pacific Private Sector Development Initiative (PSDI).¹⁵ PSDI aims to promote private sector participation in sustainable economic growth with a focus on reforming state-owned enterprises, promoting public-private partnerships, improving access to financial services, and improving legal and business regulatory environments. Australia also supported the establishment of the Pacific Region Infrastructure Facility (PRIF), which aimed to improve the delivery of development assistance in Pacific countries.¹⁶ Launched at the Pacific Islands Forum in 2008, PRIF is a multi-partner investment coordination and TA mechanism covering Pacific countries and the energy, telecommunications, transport, water, and urban development sectors. ADB and Australia, along with other development partners, agreed with governments in the Pacific region to follow the 2009 Cairns Compact on Strengthening Development Coordination to improve donor coordination and aid effectiveness in Pacific countries.¹⁷ In the GMS, Australia cofinanced the Mekong Business Initiative, a policy advisory and advocacy facility to promote private sector development, business formalization, and growth in value chains in the GMS, with a focus on Cambodia, Lao People's Democratic Republic, Myanmar and Viet Nam.¹⁸

15. **Knowledge-focused cooperation.** As with other development partners, much of the knowledge exchange between Australia and ADB happens during project design and implementation. Apart from knowledge cooperation with the Australian government, ADB departments reported knowledge partnerships with Australian universities and institutions. For instance, ADB Institute and RMIT University have a Collaborative Program (Capacity Building and Training Partnership) to promote improved financial regulatory and supervisory practices in the Asia and Pacific region. ADB's Economic Research and Regional Cooperation Department partnered with the Australian National University for a publication on Infrastructure for Supporting Inclusive Growth and Poverty Reduction in Asia.

16. **Secondment arrangements.** During 2000–2014, a total of six officials from the Australian government were seconded to ADB, five officials from AusAID/DFAT were seconded to ADB for at least 1 year and one member of staff from the Australia Trade Commission, Embassy in Manila was seconded to ADB intermittently in 2001 for 1–4 weeks' duration. ADB also seconded two ADB staff to AusAID during the period.

¹⁴ The balances were for health and social protection (\$10 million), agriculture (\$8.8 million), energy (\$6.7 million), and industry and trade (\$6 million).

¹⁵ Pacific Private Sector Development Initiative II (TA-REG 7430) approved in 10 December 2009 for \$9 million and Pacific Private Sector Development Initiative III (TA-REG 8378) approved on 6 June 2010 for \$24 million.

¹⁶ Other development partners supporting PRIF include the World Bank Group, New Zealand, the European Commission, and the European Investment Bank (ADB. 2013. *Technical Assistance Report: Establishment of the Pacific Region Infrastructure Facility Coordination Office*. Manila).

¹⁷ Footnote 16.

¹⁸ ADB. 2014. *Proposed Technical Assistance for the Mekong Business Initiative*. Manila (approved in November 2014 for \$10.5 million with \$10 million cofinancing from the Government of Australia).

III. Level of Formalization of the Partnership

17. The ADB-Australia partnership is guided by the Partnership Framework on Development 2009–2016.¹⁹ The 2009 agreement builds on the 1990 memorandum of understanding (MOU) between Australia and ADB, which provided a general framework for cofinancing arrangements. A channel financing agreement (1993) outlines the activities and responsibilities for cofinancing TA and grants to ADB projects.

18. The partnership framework outlines the guiding principles that underpin the Australia-ADB partnership. It covers various areas of cooperation between ADB and Australia, including contributions to the ADF, cofinancing, and knowledge development. It broadened the scope of the partnership to include collaboration on country strategies, secondment of Australian government staff to ADB and ADB staff to Australian government agencies, and joint research and analysis on agreed priority issues. The agreement is silent on intellectual property rights.

Table 3. Features of the Australia-ADB Partnership and Cofinancing Agreements

Partnership Framework on Development		Channel Financing Agreement	
Scope			
Cofinancing	√	Cofinancing targets	None
Knowledge and Research	√		
Joint Analytical Work	√		
Staff Exchange	√	Cofinancing templates	√
Other Purposes		Collaborative template	
Country Priority	√	Country priority	
Sector Priority		Sector priority	
Programming			
Annual Programming	√	Annual programming	
Annual Report		Annual report	√
Focal Point	SPD	Focal point	√
Role of HQ and field offices			
Dispute Resolution	√	Dispute resolution	
Intellectual Property			
Review and Evaluation			
Expiration Date	√	Expiration date	
Work Program	√	Work program	
Results Framework		Results framework	
Review Mechanism	√	Review mechanism	
Total Number of Features	11		3

ADB = Asian Development Bank, HQ = headquarters, SPD = Strategy and Policy Department.

Source: *Partnership Framework on Development Between the Asian Development Bank and the Australian Agency for International Development*. 2009.

19. The partnership framework specifies grant cofinancing modalities, namely regional and thematic trust funds, project-specific cofinancing arrangements to support TA, and components of investment projects. However, neither the 1990 MOU nor the 2009 partnership framework specify an explicit target for the number or amount of cofinancing.

20. Where cofinancing is involved, the partnership framework envisages collaboration in the design, implementation of activities, monitoring and evaluation, including joint evaluations. To streamline cofinancing arrangements, standard project-specific cofinancing agreement templates were developed for grant and TA projects.

¹⁹ ADB and Australian Government AusAID. 2009. *Partnership Framework Agreement between the Asian Development Bank and Australian Agency for International Development 2009–2016*. Manila.

21. The *Australia-ADB Cofinancing Alignment Guidelines* outline the step-by-step procedures to follow and identifies key requirements and organizational responsibilities for cofinancing arrangements. The guidelines, which were prepared following the 2011 annual high level consultations by a joint ADB-AusAID working group, aim to provide project managers with a common understanding of timelines, terminologies and definitions, work plans, and milestones. The guidelines include agreed templates.²⁰

22. The partnership framework envisions regular dialogue through visits and meetings at ADB headquarters and country offices. It also envisages annual high-level consultation meetings to review implementation of the partnership framework, review current activities, identify new opportunities for collaboration, set priorities, and establish a work program for joint work. The HLCs are hosted by the partners alternately, with the most recent meeting being held in ADB headquarters in September 2015. Discussions focused on strategic directions and partnerships; and key regional, sectoral, and operational issues.

23. The partnership framework states that Australia will monitor the performance of ADB operations through ADB's own monitoring and evaluation systems, such as the *Development Effectiveness Review* and *Donors' Report*, thereby eliminating separate reporting requirements. It also specifies that ADB and Australia will monitor and evaluate the effectiveness of the agreement. It includes provisions for dispute resolution, amendment, and termination of the agreement. The agreement does not have a results framework. It has an expiration date of 31 December 2016.

IV. Assessment of the Partnership

24. Australia and ADB have built a solid partnership over the years. Australia shares ADB's vision of a region free of poverty, and is one of ADB's major grant and TA cofinanciers. Its aid program, directed to countries in South Asia, Southeast Asia and the Pacific, supports ADB's strategic agendas and drivers of change.

25. The partnership framework is the third general agreement between ADB and Australia. The 1990 MOU largely focused on project cofinancing but mentioned other areas of cooperation, such as staff secondment. The 1993 MOU on channel financing focused on support for TA and grant component of projects.

26. The partnership framework highlights knowledge development. However, aside from staff secondment, knowledge sharing and exchange between DFAT and ADB happens mostly during policy dialogue and consultations, and in the course of project design and implementation in countries. The partnership framework envisages joint research and analytical work but few examples of this were reported in ADB.

27. **Evaluation of non-core contributions to MDBs.** In 2015, the Office of Development Effectiveness (ODE), an independent evaluation unit within DFAT, conducted an assessment of Australia's noncore contributions to the ADB and the World Bank.²¹ The evaluation found that "non-core funding to the ADB and the World Bank is an effective and efficient way of delivering Australian aid" and that "partnership with the two multilateral development banks has enabled DFAT to use MDBs' specialist skills and relationships with the governments to expand its reach and influence government policies." The evaluation notes, however, that "partnering with the banks have not been uniformly satisfactory, and the projects funded by DFAT have not been universally effective. At times, differences between the organizational cultures of DFAT and the banks have resulted in a misalignment

²⁰ The Strategy and Policy Department of ADB is the contact department and is responsible for carrying out the annual high-level consultation meeting.

²¹ A noncore contribution is funding earmarked for a specific purpose or region (DFAT. 2015. *Banking our Aid: Australia's Non-Core Contributions to the Asian Development Bank and the World Bank: A Draft Report*. Office of Development Effectiveness).

of interests or expectations that could not be resolved, leading to partnership difficulties. Other factors constraining effectiveness have included low level of recipient government capacity, ownership and leadership; poor bank performance in preparing, supporting or implementing projects; and a lack of information provided by the MDBs about results and value for money.” The ODE evaluation also found that DFAT’s visibility and recognition of its contributions to projects have been low.

28. The evaluation underscored that the best results have been achieved where partners have supported large sector programs and positively influenced national policies or administrative systems. The evaluation also found evidence to suggest that Australian funding has supported smoother or faster multilateral development bank (MDB) project implementation in the Pacific.

29. In the survey conducted as part of the ODE evaluation, DFAT officers with project management responsibilities identified three areas of concern with ADB: (i) attribution and public acknowledgment of Australia’s contributions, (ii) quality of information sharing, and (iii) quality of staff that facilitate stakeholders’ engagement.

30. **DFAT partner performance assessments.** In line with the Australian government’s performance framework for its aid program (para. 5), DFAT introduced in 2015, partner performance assessments (PPAs). PPAs are the key mechanisms to assess and improve the performance of delivery partners implementing Australian aid agreements. They are conducted for aid agreements valued at \$3 million and above that are implemented by multilateral organizations, nongovernment organizations (NGOs), and commercial contractors.²² PPAs are used to assess the performance of existing partners on the following criteria: (i) delivery of lasting results and impact (Is the delivery partner achieving agreed objectives and promoting sustainability?); (ii) maximizing value for money (Is value for money being delivered ensuring effective, ethical, efficient, and economical use of funds?); (iii) collaboration, communication, and responsiveness (Does the partner work collaboratively and effectively with stakeholders, and does it respond effectively to emerging issues?); (iv) policy alignment, risk management and innovation (Does the partner operate in a manner consistent with DFAT policies and priorities, effectively managing risk, fraud and corruption and promoting innovation?); (v) effective partner personnel (Does the partner provide personnel with appropriate skills and experience and manage them effectively?); and (vi) other agreement specific measurable(s). PPAs are not intended to compare partners with each other. The PPA is designed to feed into high-level consultations with partners such as ADB.

31. **DFAT Multilateral Performance Assessment.** The PPAs, along with evaluations and reviews by other donors, the Multilateral Organisation Performance Assessment Network (MOPAN),²³ and multilateral agencies themselves inform DFAT’s new multilateral performance assessments (MPAs), The MPAs are DFAT’s primary tool for assessing the performance of multilateral organizations in terms of how well these organizations are delivering the development and/or humanitarian related aspects of their mandate. MPAs will be prepared on a rolling basis every 3 years on each organization to inform the performance discussions and core funding negotiations with the multilateral organizations. The MPAs are not comparative assessments between multilateral organizations. Key findings may be shared with MOPAN.

32. The MPA assesses organizations against six criteria namely: (i) results and impact, (ii) relevance and alignment with Australia’s priorities, (iii) value for money, (iv) partnership behavior and contribution to wider multilateral system, (v) organizational capacity and (vi) organizational

²² PPAs used to be prepared only for contractors but with an increasing number of projects implemented by partners (40% of ODA in 2013–2014), DFAT decided to institute PPAs to be prepared annually by relationship managers.

²³ MOPAN is a network of 19 donor countries with a common interest in assessing the organizational effectiveness of the major multilateral organizations they fund. The 19 countries are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Japan, Republic of Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America.

governance. MPAs for 17 multilateral organizations (including MDBs and United Nations agencies) are scheduled between 2015–2017. The MPA for ADB was completed in December 2015, following a series of consultations between DFAT and ADB staff. The MPA gave ADB high marks in all except "partnership behavior." For this criterion, ADB performance was assessed "adequate," which is an improvement from Australia's "weak" rating on this criterion in 2012.

33. ADB's key areas of strength according to the 2015 MPA include: relevance and impact of ADB's operations against Australian Aid Program priorities, robust organizational capacity and governance, significant reform agenda, and strong transparency and accountability mechanisms. While recognizing ADB's strong overall performance, the assessment raised several areas for improvement such as ADB's presence and effectiveness of its program delivery in the Pacific region (pointing to ADB's centralized model and lack of field presence in this region), ensuring strong implementation of ADB policies on gender and fragile and conflict affected situations in programming, and reinforcing its commitment to gender diversity in senior management and leadership positions.

34. The MPA fed into the review of ADB-DFAT Partnership Framework and preparation of the new framework for cooperation between ADB and Australia, signed recently.²⁴ The MPA will be an input to Australia's approach to the 12th replenishment of the ADF.

35. **Perception of ADB as a partner.** Key informants from DFAT and survey respondents conveyed a positive assessment of cooperation with ADB. DFAT officials consulted during the evaluation mission were of the view that overall, there is very good collaboration at the corporate level with ADB top management. The Southeast and South Asia sections also provided positive feedback on ADB-DFAT engagement at the country level particularly in Nepal and Viet Nam.

36. **Problem areas and suggestions for improvement.** DFAT found the absence of ADB international staff in Pacific countries (e.g., the Solomon Islands and Vanuatu) to be a constraint on ADB meaningfully engaging with the government and development partners at the strategic level, including on policy issues. DFAT Pacific Division stated that ADB could respond more promptly to issues if an ADB member of staff were present. For instance, the Port Vila Urban Development Project in Vanuatu took 2 years to design, due to the absence of an ADB member of staff on the ground and other issues. At the Australia-ADB high-level consultation in September 2015, ADB advised that it would establish extended missions in the Solomon Islands and Tonga in 2015 and Samoa and Vanuatu in 2016.

37. DFAT staff said during interviews that the World Bank and ADB are viewed as being slow and rigid by some Pacific countries. For instance, the government of Samoa increasingly prefers working with the PRC Eximbank because of its quick, packaged approach to projects. DFAT noted, however, that the People's Republic of China Eximbank's lack of attention to governance is a potential issue.

38. DFAT also observed that not all resident missions contain good sector specialists and that having ADB sector specialists from ADB headquarters fly in and out of countries for brief periods was problematic. Other problem areas mentioned include implementation delays and inadequate time given to DFAT to review and comment on documents, e.g., concept papers. DFAT Southeast Asia section would also like to see greater delegation of authority to resident missions so that decision-making at the country level could be made more quickly.

39. While recognizing that infrastructure is ADB's comparative advantage, the Banks and Funds Branch views the lack of health experts in ADB as a concern, noting the ADB's challenges in filling its vacancies for health specialists. However, following the midterm review of Strategy 2020, ADB plans to scale up operations in the health sector.²⁵

²⁴ ADB. 2016. *President Nakao Signs Partnership Framework with Australia*. News Release. 9 February 2016.

²⁵ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

40. Survey respondents reiterated that the absence of permanent international staff is perceived to be a challenge, particularly in Pacific countries. Staff respondents also cited inadequate implementation or monitoring to ensure that the policies are upheld, citing the policy on fragile and conflict-affected situations as an example of a policy whose implementation needs improvement.²⁶ Concerns raised during interviews and in survey responses for this evaluation are consistent with the feedback conveyed by DFAT officials in the organization’s own survey for DFAT ODE evaluation (para. 30).

41. **Perception of ADB staff on the partnership with DFAT.** Nearly all ADB staff involved in cofinancing with DFAT expressed satisfaction with the partnership, in particular the additional financing which enabled the scope of projects and programs to be expanded. The challenges identified mainly relate to DFAT counterparts’ insufficient understanding of ADB procurement procedures, which were initially viewed as a major obstacle to implementation.

Table 4. Perceptions of the ADB-DFAT Partnership

Question	ADB rating of DFAT N = 10
Experience working in partnership <ul style="list-style-type: none"> • Highly satisfactory • Satisfactory • Less than satisfactory • Unsatisfactory 	30% 60% - 10%
Value added by partnership <ul style="list-style-type: none"> • Financing • Project Identification • Project Development • Project Supervision • Knowledge and Innovation • Access to Policy Makers and Policy Dialogue 	80% - - 10% 10% 10%
Areas for Future Partnership Development <ul style="list-style-type: none"> • Financing • Project Identification • Project Development • Project Supervision • Knowledge and Innovation • Access to Policy Makers and Policy Dialogue 	- 10% 0 0 10% 10%
Problem Areas in the Partnership <ul style="list-style-type: none"> • Partner’s Procedures • Financial Arrangements • Partner’s Staff • Cost of Partner’s Financing 	20% 10%

ADB = Asian Development Bank, DFAT = Australian Department of Foreign Affairs and Trade, N = number.

Source: Independent Evaluation Department.

V. Conclusions and Future Directions

40. The partnership between ADB and Australia remains strong, rooted in over 45 years of development cooperation in the Asia and Pacific region. Australia and ADB have a shared vision of a region free of poverty. The current guiding document of the partnership—the 2009 partnership framework—outlines the areas of cooperation (cofinancing, knowledge development and secondment) to achieve that vision.

²⁶ ADB. 2007. *Achieving Development Effectiveness in Weakly Performing Countries: The Asian Development Bank’s Approach to Engaging with Weakly Performing Countries*. Manila. An ADB steering committee responsible for guiding the implementation of the 2007 approach agreed in June 2008 to replace the use of the phrase “weakly performing countries” with “fragile and conflict-affected situations.” in line with current agreed international usage and based on a Multilateral Development Banks (MDBs) Working Group recommendation.

41. Cooperation is largely focused on financing and cofinancing in a few sectors and is concentrated on Southeast Asia, South Asia, and the Pacific. Apart from cofinancing, six DFAT members of staff were seconded to ADB during 2000–2014.

42. The overall assessment of the partnership by DFAT and ADB staff was satisfactory, qualified by comments on ADB's business processes on procurement, and the absence of full-time ADB staff in Pacific countries.

43. One of the objectives of the partnership framework is to raise public awareness of the outcome of the Australia-ADB partnership. This has not always happened sufficiently, as reported in the ODE assessment. ADB could institute additional measures to further strengthen cooperation with Australia. For example, ADB could introduce PPAs as a separate exercise, or at least integrate some form of PPAs in PCRs to identify lessons learned from partnership and areas for improvement to guide future project-level cooperation. In so doing, ADB can, to some extent, address the ODE evaluation finding of low visibility and recognition of Australia's contribution to projects.

44. The development landscape has changed considerably in recent years. Aid now constitutes a small proportion of development finance, while private sector investments and domestic finance have grown significantly. All except two ADB members are expected to move to middle-income country status in the coming years.²⁷ Taking this changing development landscape into account, Australia's new aid policy underscores the need for aid to be innovative and catalytic and to leverage private sector investment and domestic finance.

45. Given that Australia's aid performance framework emphasizes value for money and linking funding with results, the next partnership agreement between Australia and ADB could benefit from a results framework with clearly defined indicators and targets.

46. **Areas for future cooperation.** ADB remains an important multilateral development partner for Australia. As stated in the ODE assessment, working with MDBs like ADB expands the reach of Australia's development assistance. Australia remains committed to poverty reduction in the Asia and Pacific region.

47. ADB's plan to scale up health sector operations presents opportunities for future collaboration with DFAT. During the evaluation mission, DFAT officials identified ADB's lack of health experts as a concern.

48. While opportunities for cofinancing may decline in the coming years in the wake of the Australian government's aid budget cuts (footnote 22), other areas of cooperation remain and could be further strengthened, such as knowledge cooperation and exchange. According to DFAT, the new country strategy for Viet Nam, currently under preparation, will be less focused on financing and will have more emphasis on policy advice. The changing development finance architecture, coupled with the projected transition of all but two ADB members to middle-income country status by 2020²⁸ will likely lead to a further decline in official cofinancing opportunities in many ADB countries. This implies the need to explore areas for cooperation aside from cofinancing.

49. Australia's areas of technical expertise include water, dryland farming, mining and food security.²⁹ These areas present untapped opportunities for more knowledge cooperation and sharing moving forward.

²⁷ See Footnote 25.

²⁸ ADB. 2015. *Clients-Contributors-Collaborators: A New Partnership with Upper Middle-Income Countries*. Manila.

²⁹ See Footnote 3.

List of Projects Cofinanced by ADB and DFAT, 2000–2014

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
BAN	Third Primary Education Development	Grant	35.0	320.0	Collaborative	05-Jul-11			Active
CAM	Flood Damage Emergency Reconstruction	Grant	5.3	55.0	Full Administration	27-Mar-12			Active
CAM	Flood Damage Emergency Reconstruction Project – Additional Financing	Grant	6.7	75.0	Full Administration	11-Apr-14			Active
CAM	Rural Energy	Grant	6.1	--	Full Administration	15-Jan-13			Active
CAM	Greater Mekong Subregion: (GMS) Rehabilitation of the Railway in Cambodia (Supplementary)	Grant	21.5	42.0	Full Administration	15-Dec-09			Active
CAM	Greater Mekong Subregion: Rehabilitation of the Railway in Cambodia (Second Supplementary)	Grant	1.0	-	Full Administration	12-Jan-12			Active
CAM	Greater Mekong Subregion: Southern Coastal Corridor (Cambodia and Viet Nam)	Grant	8.0	7.0	Full Administration	28-Nov-07			Active
CAM	Road Asset Management	Grant	4.8	6.0	Full Administration	21-Jan-08			Active
CAM	Rural Roads Improvement II	Grant	6.7	54.0	Full Administration	08-Aug-14			Active
INO	Metropolitan Sanitation Management Investment	Grant	48.8	-	Collaborative	31-Mar-14			Active
KIR	Road Rehabilitation	Grant	4.6	12.0	Collaborative	10-Dec-10			Active
KIR	South Tarawa Sanitation Improvement Sector	Grant	14.0	7.6	Full Administration	17-Oct-11			Active
LAO	Northern GMS Transport Network Improvement	Grant	14.5	27.0	Full Administration	27-Sep-07			Active
LAO	Small Towns Water Supply and Sanitation Sector	Grant	5.3	23.0	Full Administration	02-Feb-09			Active
NEP	School Sector Program	Grant	15.6	65.0	Collaborative	22-Nov-11			Active
NEP	School Sector Program (Supplementary)	Grant	3.5	-	Full Administration	28-Mar-12			Active
PNG	Employment Oriented Skills Development	Grant	5.5	-	Full Administration	20-Feb-01			Closed
PNG	Microfinance Expansion	Grant	6.0	13.0	Full Administration	28-Oct-10			Active
PNG	Microfinance and Employment	Grant	0.9	9.6	Full Administration	19-Oct-07	Successful		Closed
PNG	Rural Primary Health Services Delivery	Grant	40.0	20.0	Full Administration	30-Sep-11			Active
PNG	HIV/AIDS Prevention and Control in Rural Development Enclaves	Grant	3.5	-	Full Administration	25-Apr-06			Active
SAM	Education Sector II	Grant	8.6	8.1	Partial Collaboration	16-Dec-05			Active
SAM	Power Sector Expansion	Grant	8.0	-	Full Administration	21-Nov-07			Active
SOL	Post-Conflict Emergency Rehabilitation	Grant	2.0	10.0	Full Administration	08-Feb-06	Successful		Closed
SOL	Transport Sector Development	Grant	30.0	-	Collaborative	15-Dec-10			Active
SOL	Road Improvement (Sector) (Second Supplementary)	Grant	0.2	-	Full Administration	19-Jan-09			Closed
SOL	Road Improvement (Sector) (Third Supplementary)	Grant	0.7	-	Full Administration	27-Nov-12			Closed
SOL	Road Improvement (Sector)	Grant	6.1	-	Full Administration	08-Aug-06			Closed

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
SOL	Road Improvement (Sector) (Supplementary)	Grant	0.5	-	Full Administration	30-Apr-08			Closed
SOL	Road Improvement (Sector) (Second Supplementary)	Grant	1.9	-	Full Administration	20-May-09			Closed
SOL	Second Road Improvement (Sector)	Grant	4.5	15.0	Full Administration	12-Nov-09			Closed
SOL	Second Road Improvement (Sector) (Supplementary)	Grant	0.3	-	Full Administration	20-May-10			Closed
SOL	Second Road Improvement (Sector) (Second Supplementary)	Grant	4.0	-	Full Administration	08-Jun-11			Closed
SOL	Second Road Improvement (Sector) (Third Supplementary)	Grant	2.1	-	Full Administration	15-Mar-12			Closed
SOL	Domestic Maritime Support (Sector) (Supplementary)	Grant	4.3	14.0	Full Administration	23-May-12			Active
SRI	North East Community Restoration and Development II (Supplementary)	Grant	7.3	-	Full Administration	17-Dec-09	Successful		Closed
TON	Outer Island Renewable Energy	Grant	4.5	2.0	Full Administration	27-Jun-13			Active
TON	Nuku'alofa Urban Sector Development	Grant	6.4	6.1	Full Administration	17-Oct-11			Active
VAN	Port Vila Urban Development	Grant	26.5	5.0	Full Administration	13-Dec-11			Active
VAN	Port Vila Urban Development	Grant	4.5	-	Full Administration	13-Dec-11			Active
VIE	GMS Flood and Drought Risk Management and Mitigation	Grant	5.9	45.0	Full Administration	06-Nov-12			Active
VIE	Health Human Resources Sector Development Program	Grant	11.0	60.0	Full Administration	22-Jun-10			Active
VIE	GMS: Southern Coastal Corridor (Cambodia and Viet Nam)	Grant	25.5	25.0	Full Administration	28-Nov-07			Active
VIE	GMS: Southern Coastal Corridor – Additional Financing	Grant	12.4	-	Full Administration	11-Feb-13			Active
VIE	Central Mekong Delta Region Connectivity	Grant	134.0	410.0	Full Administration	05-Aug-13			Active

ADB = Asian Development Bank, BAN = Bangladesh, CAM = Cambodia, DFAT = Australian Department of Foreign Affairs and Trade, INO = Indonesia, KIR = Kiribati, LAO = Lao People's Democratic Republic, NEP = Nepal, PCR = project completion report, PNG = Papua New Guinea, PVR = project completion report validation report, SAM = Samoa, SOL = Solomon Islands, SRI = Sri Lanka, TON = Kingdom of Tonga, VAN = Vanuatu, VIE = Viet Nam.

Source: Asian Development Bank.

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT OF THE UNITED KINGDOM
Development Partner Case Study

Table 1. ADB–DFID Partnership at a Glance

Partnership Indicators	2000-2004	2005-2009	2010-2014
Memorandum of Understanding		2005	2013, 2014
Framework Cofinancing Agreement		None	None
Channel Financing Agreement			
Cofinancing Templates			
Knowledge Partnerships		Yes	Yes
Staff Seconded			
• to ADB	1 person (2003–2006)		0
• from ADB	0	0	0
Cofinancing: Grants (\$ million)	228.4	114.3	311.7
Cofinancing – Technical Assistance (\$ million)	60.4	54.6	26.5

ADB = Asian Development Bank, DFID = Department for International Development of the United Kingdom.

Sources: Office of Cofinancing Operations database; ADB. 2011. *Partnership Brief: Cofinancing with the United Kingdom*. Manila.

I. Background

1. The ties of the United Kingdom (UK) with the Asian Development Bank (ADB) date back to 1966 when the UK joined ADB as a founding member. As of 31 December 2014, the UK had a shareholding of 2% (216,786 shares), and an overall capital subscription of \$3.1 billion—\$3 billion in callable capital and \$157 million in paid-in capital.¹ The UK is the 7th largest contributor to the Asian Development Fund (ADF).² As of 31 December 2014, it had committed \$1.4 billion to the ADF, and \$69.8 million to the technical assistance (TA) special fund.³

2. The Department for International Development (DFID) is the UK's lead agency in promoting sustainable development and fighting global poverty.⁴ Its strategic framework for economic development is based on five pillars: (i) improving international rules for shared prosperity, (ii) supporting the enabling environment for private sector growth, (iii) catalyzing capital flows and trade in frontier markets, (iv) engaging with businesses to help their investments contribute to development, and (v) ensuring that growth is inclusive and benefits girls and women.⁵

3. With the merger of ADF and ordinary capital resources, DFID is expected to contribute less to ADF because the only new contributions asked of traditional ADF donors will be for ADF grants. At the same time, DFID has increased its support to ADB for cofinancing operations, driven by mutual complementarity and the satisfactory ratings of ADB in past multilateral aid reviews. DFID is ramping up its development aid. There is broad support for meeting the government's aid target of 0.7% of gross domestic product.

4. During 2000–2014, DFID cofinanced education, infrastructure, health, rehabilitation, livelihood, and water resources development. Its earliest cofinancing went to Bangladesh, Nepal, and Viet Nam

¹ Callable capital is the amount that the government has committed to ADB in the unlikely event of a large-scale default by ADB's borrowers. So far, no call has been made on ADB's callable capital. The financial data cited here came from: (i) ADB. 2015. *Asian Development Bank and the United Kingdom: Fact Sheet*. Manila; and (ii) ADB. 2014. *Financial Report*. Manila.

² By size of contribution, other contributors in the top 10 are Japan, United States, Germany, Australia, Canada, France, Italy, Netherlands, and Switzerland (ADB. 2014. *Financial Report*. Manila).

³ ADB. 2015. *Asian Development Bank and the United Kingdom: Fact Sheet*. Manila.

⁴ Another agency—the Department of Energy and Climate Change—is responsible for promoting international action to mitigate climate change.

⁵ DFID. 2014. *Economic Development for Shared Prosperity and Poverty Reduction: A Strategic Framework*. London.

(2001).⁶ Country coverage expanded to Cambodia, Indonesia, and Pakistan in the next 5 years, and then to Afghanistan and Nepal in the latter 2000s. Over the last 15 years, total cofinancing from DFID reached \$1.1 billion for loans and grants, and \$141.5 million for TA.

5. DFID's current country priorities in Asia focus on Afghanistan, Bangladesh, Myanmar, Nepal, Pakistan, and Tajikistan. Its financial support for India is being reduced and will be limited to TA and investments, while its budget envelope for Myanmar is increasing.

II. Key Areas of Collaboration

6. **Trust funds.** Over the period 2000–2014, DFID contributed to six trust funds, including single-donor and multi-donor funds (Table 2). At present, four of these funds are still active: Afghanistan infrastructure, urban climate change resilience, regional malaria and other communicable disease threats, and Typhoon Yolanda.⁷ Of these, the Afghanistan Infrastructure Trust Fund is the largest (£165.0 million). It aims to pool and deliver financing for infrastructure in Afghanistan and to leverage resources through cofinancing with the private sector and other development partners. Eligible investments cover roads (national, regional, rural, and urban), railways, airports, energy (generation, transmission, and distribution), water management and irrigation, and other infrastructure-related sectors.

Table 2. Trust Funds Supported by the United Kingdom

Trust Fund	Year Established	Objective	Cumulative Commitment (£ million)	Status
Single-Donor Trust Fund				
Cooperation Fund for Technical Assistance (DFID)	2001	Support poverty-focused studies and technical activities in India	£50.0	Closed
Multi-Donor Trust Fund				
Poverty Reduction Cooperation Fund (DFID)	2002	Support technical assistance and small-scale pilot investment projects that could serve as examples for poverty-oriented operations	£36.0	Closed
Carbon Capture and Storage Fund — under the Clean Energy Financing Partnership Facility (DECC)	2009	Accelerate the physical deployment of carbon capture and storage demonstration projects	£35.0	Active
Afghanistan Infrastructure Trust Fund (DFID)	2010	Support technical assistance and grants for infrastructure investments	£165.0	Active
Urban Climate Change Resilience Trust Fund — under the Urban Financing Partnership Facility (DFID)	2013	Support city-level engagement to build resilience to the effects of climate variability and climate change within medium-sized cities in Asia, and, particularly impact positively on the vulnerability of the urban poor	£83.3	Active

⁶ ADB. 2011. *Partnership Brief. Cofinancing with the United Kingdom*. Manila.

⁷ Another active trust fund is for carbon capture and storage. The Department of Energy and Climate Change supports this trust fund under the Clean Energy Financing Partnership Facility.

Trust Fund	Year Established	Objective	Cumulative Commitment (£ million)	Status
Regional Malaria and Other Communicable Disease Threats Trust Fund — under the Health Financing Partnership Facility (DFID)	2013	Support countries to develop multi-country, cross-border, and multi-sector responses to urgent malaria issues	£7.8	Active
Typhoon Yolanda Multi-Donor Trust Fund (DFID)	2014	Pool donor resources and deliver reconstruction grant financing and technical assistance to the Yolanda-affected areas of the Philippines; help reduce risks and vulnerabilities associated with future natural disasters.	£5.0	Active

DECC = Department of Energy and Climate Change, DFID = Department for International Development.

Sources: Asian Development Bank. 2015. *Asian Development Bank and the United Kingdom: Fact Sheet*. Manila; Asian Development Bank. 2014. *Donor Report*. Manila.

7. Since 2010, DFID has increased its support for trust funds. Trust funds allow for more specific project reporting of results as well as for more checks on due diligence and collaboration. Multi-donor trust funds are preferred. DFID is generally satisfied with how ADB is managing the trust funds.⁸

8. **Project cofinancing.** Over the period 2000–2014, DFID cofinanced 17 projects with ADB under direct value-added (DVA) cofinancing.⁹ DVA cofinancing increased to \$311.7 million during 2010–2014 from \$228.4 million during 2000–2004 (Table 3). Bangladesh was the biggest recipient of DVA cofinancing from DFID during 2000–2014 (66%). Projects supported education, rural infrastructure improvement, and primary health care. DVA cofinancing also went to a regional program on climate public–private partnership (14%). The rest (20%) was channeled to Afghanistan, Cambodia, Indonesia, Nepal, Pakistan, and Viet Nam. It covered projects for energy sector development, health, water, service centers for women and children, road network development, rural reconstruction, and livelihood improvement.

Table 3. Evolution of DFID-ADB Loan and Grant Cofinancing

Period	Countries	DVA Cofinancing		Non-DVA Cofinancing		Total Cofinancing		Average Project Size (\$ million)
		No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	Number	Amount (\$ million)	
2000–2004		6	228.4	3	200.8	9	429.2	47.7
	Bangladesh	2	162.0	-	-	2	162.0	81.0
	Cambodia	1	10.4	1	11.8	2	22.2	11.1
	India	-	-	1	130.0	1	130.0	130.0
	Nepal	1	9.6	-	-	1	9.6	9.6
	Pakistan	1	30.0	-	-	1	30.0	30.0
	Viet Nam	1	16.4	1	59.0	2	75.4	37.7
2005–2009		6	114.3	5	221.3	11	335.6	30.5
	Afghanistan	1	3.3	-	-	1	3.3	3.3
	Bangladesh	2	81.7	1	4.2	3	85.9	28.6

⁸ Based on an interview with a DFID member of staff in June 2015.

⁹ In the glossary of ADB's Office of Cofinancing Operations, direct value-added cofinancing refers to cofinancing with contractual obligations between ADB and a financing partner. ADB's obligations under contractual direct value-added cofinancing vary according to the degree of financial, fiduciary, and/or administrative responsibility that the financing partner requests from ADB, usually in exchange for a fee.

Period	Countries	DVA Cofinancing		Non-DVA Cofinancing		Total Cofinancing		Average Project Size (\$ million)
		No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	Number	Amount (\$ million)	
	Cambodia	1	1.8	-	-	1	1.8	1.8
	Indonesia	1	7.5	1	30.0	2	37.5	18.7
	Nepal	1	20.0	-	-	1	20.0	20.0
	Viet Nam	-	-	3	187.1	3	187.1	62.4
2010–2014		5	311.7	-	-	5	311.7	62.3
	Afghanistan	1	20.0	-	-	1	20.0	20.0
	Bangladesh	1	190.0	-	-	1	190.0	190.0
	Nepal	2	7.4	-	-	2	7.4	3.7
	Regional	1	94.3	-	-	1	94.3	94.3
2000–2014 (total)		17	654.4	8	422.1	25	1,076.5	43.1
	Afghanistan	2	23.3	-	-	2	23.3	11.6
	Bangladesh	5	433.7	1	4.2	6	437.9	73.0
	Cambodia	2	12.2	1	11.8	3	24.0	8.0
	India	-	-	1	130.0	1	130.0	130.0
	Indonesia	1	7.5	1	30.0	2	37.5	18.7
	Nepal	4	37.0	-	-	4	37.0	9.2
	Pakistan	1	30.0	-	-	1	30.0	30.0
	Regional	1	94.3	-	-	1	94.3	94.3
	Viet Nam	1	16.4	4	246.1	5	262.5	52.5

DVA = direct value-added.

Sources: Office of Cofinancing Operations database; ADB. 2011. *Partnership Brief: Cofinancing with the United Kingdom*. Manila.

9. Projects that are co-financed with DFID are administered in three ways. The predominant arrangement is full administration (80%), where ADB manages the DFID funding (e.g., the Second Primary Education Development Program in Bangladesh).¹⁰ Another arrangement is collaborative (13%), where DFID provides financing alongside ADB but ADB does not manage DFID funding (e.g., the School Sector Program in Nepal).¹¹ The third administrative arrangement is partial administration, where ADB provides disbursement services by reviewing withdrawal applications and advising DFID on eligible payments, as in the case of Nepal's Rural Reconstruction and Rehabilitation Project.¹²

10. Seven cofinanced projects with DFID during 2000–2014 have project completion reports (PCRs). Five of these projects were rated *successful* and two were rated *partly successful*. None was rated *unsuccessful*. Independent Evaluation at ADB subsequently validated or evaluated two of these PCRs, rating one *successful* (livelihood improvement) and the other *partly successful* (devolved social services),¹³ confirming the previous PCR ratings for these projects.¹⁴

11. As of 2014, six cofinanced projects were ongoing. These consisted of projects for education (3), water resources development (1), energy sector development (1), and public sector management (1). Project implementation is generally on track.

¹⁰ ADB. 2003. *Report and Recommendation of the President on a Proposed Loan to Bangladesh for the Second Primary Education Development Program*. Manila.

¹¹ ADB. 2011. *Report and Recommendation of the President on a Proposed Policy-Based Grant and Technical Assistance Grant to Nepal for the School Sector Program*. Manila.

¹² ADB. 2007. *Report and Recommendation of the President on Proposed Asian Development Fund Grants to Nepal for the Rural Reconstruction and Rehabilitation Sector Development Program*. Manila.

¹³ The preparation of project validation reports started in 2007 to provide a more independent view of project performance documented in the PCRs. Prior to this, only PCRs were available.

¹⁴ For details, please see (i) Independent Evaluation Department. 2014. *Project Validation Report on the Central Region Livelihood Improvement in Viet Nam*. Manila: ADB; and (ii) Independent Evaluation Department. 2010. *Project Performance Evaluation Report on the Punjab Devolved Social Services Project*. Manila: ADB.

12. **Technical assistance.** A total of 106 TA projects cofinanced with DFID were completed during the period under review. Of the 49 TA projects with completion reports, 32 projects (65%) were rated *successful*, and 4 projects *highly successful* (8%). The rest were rated either *partly successful* (25%) or *unsuccessful* (2%).

13. **Partnership with the private sector.** Currently, DFID supports a climate public–private partnership fund (\$94.3 million), which was established in 2014.¹⁵ This fund provides a platform that combines private sector investment expertise with development finance institutions to offer equity, debt, and grant facilities to climate- and environment-related sectors in ADB’s member countries. The fund’s concept was initially driven by the interest of large institutional investors who view climate change challenges in Asia as a compelling investment opportunity. The fund initiative is designed around the concept of a partnership between a private sector fund manager and a public sector development bank.

14. The ongoing Asia Climate Partners Project is a fund managed by ADB, Robeco, and ORIX Corp and supported by DFID to make equity investments across environmentally supportive, low-carbon transactions in Asia and the Pacific. It aims to invest in privately held companies that are benefiting from the macroeconomic and environmental dynamics in Asia and have the potential to generate a commercially attractive annual return to investors. Its focus is on the India, People’s Republic of China, and Southeast Asia. ADB’s investment is \$100 million. The target fund size is \$750 million up to \$1 billion.

15. **Knowledge-focused cooperation.** DFID helped to set up a knowledge partnership between ADB and the London-based Met Office to build greater resilience to weather and climate extremes in vulnerable countries. The partnership will provide access to state-of-the-art climate projections and scenarios and help ADB to support the Asia and Pacific region in building resilience. Information will be used to make decisions, integrate climate risk management in development planning, and invest in adaptation.¹⁶

16. **Secondment arrangements.** DFID fielded one secondee from 2003–2006 to ADB’s Sri Lanka resident mission. Later, there was an intention to deploy a new secondee to help manage the Urban Financing Trust Fund (now on its second year of implementation), but this has yet to materialize. ADB staffing for this financing facility is thin.

III. Level of Formalization of the Partnership

17. The ADB-DFID partnership is a formal one, marked by a memorandum of understanding (MOU) that provides the basis for cooperation (Table 4). A partnership framework cofinancing agreement, however, does not exist because DFID does not want to constrain itself through a strategy document.

18. In 2005, ADB and DFID signed an MOU on administrative arrangements. This spelled out a common approach, identified the principal areas of focus, designated the focal points for both ADB and DFID, and stipulated the preparation of a joint action plan, among others. The approach involved development support, based on country-owned poverty reduction strategies and the promotion of private sector-led economic growth. It also aimed at scaling up health and education services, dismantling barriers to trade, and improving the quality and volume of aid. ADB and DFID focused on pro-poor policy development, regional level programs, and country-level collaboration.

¹⁵ ADB. 2014. *Annual Constituency Report*. Manila.

¹⁶ MET Office. 2015. *MET Office and the Asian Development Bank Address Climate Resilience*. London. www.metoffice.gov.uk/news/releases/archive/2015/adb-climate-resilience

Table 4. Features of the ADB-DFID Partnership and Cofinancing Agreements

General Memorandum of Understanding		Framework Cofinancing Agreement	
Scope			
Cofinancing	√	Cofinancing targets	Not applicable (no framework cofinancing agreement)
Knowledge and Research	√		
Joint Analytical Work	√		
Staff Exchange	√	Cofinancing templates	
Other Purposes		Collaborative template	
Country Priority	√	Country priority	
Sector Priority	√	Sector priority	
Programming			
Annual Programming	√	Annual programming	
Annual Report	√	Annual report	
Focal Point	√	Focal point	
Role of Headquarters and Field Offices	√		
Dispute Resolution	Amicable discussion	Dispute resolution	
Intellectual Property			
Review and evaluation			
Expiration Date	√	Expiration date	
Work Program	√	Work program	
Results Framework	√	Results framework	
Review Mechanism	√	Review mechanism	
Total Number of Features	15	Total number of features	

Sources: ADB and DFID. 2005. *Memorandum of Understanding for Administrative Arrangements*. Manila; ADB and DFID. 2014. *Memorandum of Understanding with Respect to Grant Assistance for Typhoon Yolanda Multi-Donor Trust Fund*. Manila.

19. ADB and DFID agreed to review the progress of the MOU against agreed indicators set out in the action plan and to hold annual consultations to assess the results. Their national and regional level staff met formally and informally, as required, to develop concepts and plans for joint work in consultation with governments and other development partners. The MOU ended in 2008.

20. In October 2013, ADB and DFID signed another MOU on grant assistance for managing climate risks for the urban poor through the Urban Climate Change Resilience Trust Fund (£83.3 million). This supports climate change integration into city planning, along with links to infrastructure, institutional interventions, and knowledge.¹⁷ The MOU stipulates the grant recipients and arrangements for fund administration, procurement, reporting, and audit. It is expected to end on 31 December 2021, or 3 years after the last disbursement to the trust fund.

21. Another MOU followed in December 2013 for the Regional Malaria and Other Communicable Disease Threats Trust Fund.¹⁸ This fund aims to improve health outcomes and increase health security by reducing the risk of malaria and other health threats in Asia and the Pacific. The MOU will end 3 years after the last disbursement to the trust fund. An amendment to the MOU took place in 2015, which adjusted the amount of the trust fund from £11.8 million to £7.8 million and required compliance with ADB's latest procurement guidelines and integrity guidelines (2015).

¹⁷ ADB and DFID. 2013. *Memorandum of Understanding with Respect to Grant Assistance for Managing Climate Risks for the Urban Poor through the Urban Climate Change Resilience Trust Fund*. Manila and London.

¹⁸ ADB and DFID. 2013. *Memorandum of Understanding with Respect to Grant Assistance for Regional Malaria and other Communicable Disease Threats Trust Fund*. Manila and London.

22. In 2014, ADB and DFID signed a new MOU on grant assistance for the Typhoon Yolanda Multi-Donor Trust Fund (£5 million). Assistance from this trust fund consists of untied grants for investment projects and TA. The MOU specifies arrangements for disbursement, reporting, and auditing. It also requires annual consultation meetings between ADB and DFID to review the progress and results achieved, funding needs for the next fiscal year, and the work program. The financial closure of the fund and all related activities is expected no later than 9 years after the fund's establishment, subject to a consensus among the steering committee members and all donors.

IV. Assessment of the Partnership

23. DFID has a strong history of partnership with ADB. It is a major contributor to the ADF and to various trust funds, and a cofinancier of many successful projects: 71% of projects and 73% of TA with DFID funding were rated either *successful* or *highly successful*. Its experience working with ADB has been generally positive. This is reflected in the findings of the multilateral aid review (MAR), which assessed the value for money for aid funding, and the Independent Commission for Aid Impact (ICAI), which carried out an independent review of the UK's aid programs. Challenges remain, however, particularly in relation to cumbersome ADB procedures, staff time allocated to projects, and project efficiency.

24. **Multilateral aid review.** The MAR in 2011 assessed ADB as very good value for money for aid based on its contribution to the UK's development objectives and on its organizational strengths.¹⁹ ADB was one of 43 organizations covered by the review. The MAR concluded that ADB's contribution to development objectives was strong due to its critical role in sustainable development across Asia and the Pacific, strong focus on wealth creation through infrastructure and regional integration, and good engagement with governments. It also has a strong results focus, good integration of climate change into existing development work, and robust environmental and social safeguards. Organizationally, the MAR gave ADB a similarly strong rating due to its relatively low administrative costs and good financial management systems. Other positive factors pointed to ADB's very strong partnerships with governments, an independent evaluation and lesson learning culture, and a mechanism for redress of grievances from people directly affected by its projects.

25. Nonetheless, the MAR found that ADB was weak in certain areas: (i) limited role in health and activities directly addressing the Millennium Development Goals, (ii) lack of evidence of impact of gender projects, and (iii) sometimes insufficient collaboration with other donors. ADB, moreover, had not shown evidence of emphasis on securing cost effectiveness in project design.

26. A subsequent MAR progress assessment (2013) indicated that ADB had made reasonable progress on gender, climate change, and performance management. Some progress had also been made on results and cost and value consciousness. The MAR concluded that reasonable progress had been achieved in its human resource management, particularly on decentralization to resident missions and improved capacity in developing countries. It found that ADB had made progress on business processes, including procurement capacity and reporting on portfolio performance, but noted that evidence of efficiency gains in ADB projects was limited.²⁰ It also observed that private sector leveraging in climate change mitigation had improved.

27. The MAR in 2015 (draft) concluded that ADB has a vital role in meeting the UK and international commitments on poverty reduction and economic growth in Asia and the Pacific.²¹ It found that ADB has worked well with other partners and has used its convening power, networks, and knowledge to meet development goals. ADB's strengths are in large-scale infrastructure; regional cooperation; a strong results culture; and systems for transparency and accountability, risk

¹⁹ DFID. 2012. *Multilateral Aid Review 2011*. London.

²⁰ DFID. 2013. *Multilateral Aid Review Update*. London.

²¹ DFID. 2016. *Multilateral Aid Review 2015*. Draft. The final version will be released to the public in late March 2016.

management, audits, and fraud and anticorruption. Even so, the MAR pointed to several areas that ADB could improve on: (i) project readiness, quality and speed of delivery, particularly in fragile and conflict-affected situations; (ii) staffing support in fragile and conflict-affected situations and flexibility in programming and implementation in light of complex and changing conditions; (iii) further engagement in disaster-prone countries; (iv) strategy for the inclusion of poor and vulnerable groups and a stronger gender push; (v) climate-smart programming; (vi) cost efficiency in programming and administration; and (vii) support to partners on risk management and transparency.

28. **ICAI assessment.** An assessment conducted by ICAI in 2012 concentrated on project delivery. Overall, ICAI concluded that DFID's engagement with ADB rated well on value for money and effectiveness.²² ADB's external audits and regular project reviews, independent evaluation function, clear accountability mechanism, and results framework provided assurance that DFID financing was spent well and as intended, and that any negative effects of ADB projects on the vulnerable were mitigated. ICAI also highlighted that ADB's well-established expertise in infrastructure and private sector financing complemented DFID's work. In particular, it observed that the Climate Public-Private Partnership for Asia has provided a strong fit with ADB's expertise and has led to a positive partnership experience.

29. ICAI observed that ADB was more centralized than DFID, leading to delays in project implementation. It suggested that additional efforts were needed to deal with the delivery of outputs and outcomes on a sustained basis. Improving project design, increasing real-time monitoring, and improving follow up were seen as possible ways to achieve better outcomes.

30. **Staff perceptions of the ADB-DFID partnership.** A questionnaire survey that Independent Evaluation at ADB conducted in 2015 indicated that DFID respondents had a mixed assessment of the partnership with ADB. Half of the survey respondents replied that their experience working in partnership with ADB was satisfactory, but the other half felt that it was less than satisfactory.²³ They noted that ADB procedures are quite slow and somewhat inflexible, and that staff members did not devote enough time to project management.

31. Both partners need to understand compatibility of systems and business processes. Unrealistic expectations of ADB's procurement and disbursement processes led to confusion at times. Both partners subsequently agreed to engage with each other earlier in the design process to deal with delays in implementation and performance achievement. ADB is also enhancing its procurement system to reduce timelines for consultant selection and is streamlining the process for approving small projects.

32. DFID respondents noted that ADB staff members are committed and professional, but that few ADB staff resources were designated to projects. Nonetheless, they regarded ADB as a strong partner and were interested in deepening their relationship with it. When asked to list the three top areas where partnering with ADB adds value, they listed financing, identification of suitable projects, and access to policy makers. While DFID respondents recognized that most bureaucracies have issues with procedures and with staff time allocation, they felt that these issues could probably be dealt with through more staff secondments and a closer working relationship with ADB.

33. With regard to the private sector facility, interviews with DFID staff indicated that the Private Sector Operations Department had strengthened significantly over the past 7 years. However, these staff felt that ADB was still working in a public sector systems mode, which leads to delays. In India, the plan to use partial risk guarantees for solar power generation projects had faced problems. The facility had been launched in October 2011, but there had been no uptake due to a shift in market risk

²² ICAI. 2012. *The Effectiveness of DFID's Engagement with the Asian Development Bank*. London.

²³ Two DFID staff responded to the survey.

perceptions since the facility was designed. The delay in launching the facility and the cumbersome process for availing of its funds were felt to be responsible for this, among others.

34. Five of the six ADB respondents to the survey on the partnership with DFID indicated that the relationship was satisfactory. One respondent felt that it was highly satisfactory. They stated that partnering with DFID added value mainly to financing and sector knowledge.

35. In terms of problem areas, one ADB respondent indicated that, despite a project's status as fully administered by ADB, DFID tended to be very demanding and difficult to satisfy at times. While DFID preferred to delegate administration to ADB, it also wanted to engage frequently.

V. Conclusions and Future Directions

36. In 2011, DFID affirmed its commitment to increase aid to help the world's poorest people, despite difficult economic times. However, given its duty to the taxpayer to ensure that its aid budget is well spent, it adopted five guiding principles: (i) smarter, open, and well-spent aid; (ii) value for money; (iii) independent evaluation; (iv) transparency; and (v) innovative approaches to aid.²⁴

37. Consequently, DFID is expecting its partners to deliver results and make a difference to the lives of the poorest. The new Independent Commission for Aid Impact, which reports directly to Parliament, has been mandated to scrutinize aid from the UK and provide evidence-based feedback to government decision making. This way, aid can be spent on what works well and more aid can be channeled to organizations that are delivering results. To boost transparency, the UK Aid Transparency Guarantee makes information available and provides a clear picture of how aid funds are being used and what results are being delivered. This implies that partners themselves must also be more transparent and must strive to do better.

38. The new thinking means that aid will be directed where the need is greatest. DFID also encourages innovative and creative approaches to tackle extreme poverty to make breakthroughs in challenging environments. In Asia, DFID's bilateral projects will focus on Afghanistan, Bangladesh, India, Myanmar, Nepal, Pakistan, and Tajikistan. It is phasing out operations in Cambodia, the People's Republic of China, Indonesia, and Viet Nam.

39. **Areas for future development cooperation.** Certain themes appear promising for future cooperation between ADB and DFID—climate change, private sector development, investing in girls and women, and water and sanitation. Both DFID and ADB have a common stake in these areas. ADB's strategic priorities for 2014–2020, as articulated in its midterm review of Strategy 2020, clearly indicate the need to scale up support for climate adaptation.²⁵ In line with this, ADB plans to seek additional grant financing to help make countries more resilient to climate change, with an emphasis on low-income countries, urban areas, some island states, and vulnerable sectors. It fosters partnerships to share knowledge and good practice, and to facilitate access to expertise on climate risk and vulnerability assessments. ADB also finances water infrastructure to ensure inclusiveness and to boost food security. ADB's continued investment in infrastructure is vital to promote economic opportunities and to increase the poor's access to services and productive assets.

40. ADB is likewise scaling up its private sector operations. It is strengthening support for upstream work to improve business environments in developing countries and to promote sector reforms. It intends to be a more active project developer and resource mobilizer so it can raise financing from development partners for bankable public–private partnership projects. In this regard, ADB and DFID have continued their strategic discussions on a possible Development Capital Investment platform, which would provide investment funding for private sector projects. These projects would focus on

²⁴ DFID. 2011. *UK Aid: Changing Lives, Delivering Results*. London.

²⁵ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific*. Manila.

inclusive growth, better services, and climate change. DFID has identified ADB as a potential partner for such a platform.

41. Narrowing gender gaps is also part of ADB's thematic agenda. ADB plans to strengthen the implementation of its gender equality operational plan, in part by monitoring the delivery of better gender equality results more closely. It also invests directly in women and girls to narrow gender disparities in secondary and tertiary education completion; vocational and technical skills training; access to productive assets, labor-saving technology, employment, and income-earning opportunities; business development services for entrepreneurs; and financial services and access to credit.

42. Overall, the outlook for further cooperation between ADB and DFID will depend on: thematic and country priorities, the new thinking around DFID's approach to development aid, and ADB's capacity to sustain its strong ratings in terms of value for money for aid and effectiveness. DFID's heightened concern about changing lives and delivering results will increasingly drive an evidence-based aid program, challenging ADB and other partners to be more mindful of how well aid is spent and to perform more effectively. Consistent with this new thinking, DFID has decided to end core funding for organizations that failed to deliver expected results.

43. DFID's move to concentrate its efforts on where the need is greatest and where it can have most impact has led to fewer country priorities. This narrower country coverage will restrict ADB's room for maneuver in relation to seeking fresh funding from DFID, along with the graduation of some developing countries from ADB's list of poor countries.

44. ADB has performed relatively well as a partner, but needs to sustain its good standing with DFID. Its strengths lie in its results orientation, lesson learning culture, strong partnership with governments, and good financial management. However, as pointed out by various reviews, ADB also needs to improve its business process, reduce cumbersome procedures, work out better project staffing arrangements, and show gains in project efficiency.

List of Projects Cofinanced by ADB and DFID, 2000–2014

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
AFG	Water Resources Development Investment Program – Tranche 1	Grant	3.3	86.6	Full Administration	06-Oct-09			Active
AFG	Energy Sector Development Investment Program – Tranche 3	Grant	20.0	-	Full Administration	22-Dec-11			Active
BAN	Second Rural Infrastructure Improvement	Grant	56.7	96.1	Full Administration	18-Aug-06			Closed
BAN	Third Primary Education Development	Grant	190.0	-	Collaborative	05-Jul-11			Active
BAN	Second Primary Education Development Program (Sector Loan)	Grant	150.0	-	Full Administration	03-Nov-03	Successful		Closed
BAN	Post-Literacy and Continuing Education	Grant	12.0	65.0	Full Administration	12-Jul-02			Active
BAN	Second Urban Primary Health Care	Grant	25.0	40.0	Full Administration	31-May-05	Highly Successful		Closed
CAM	Health Sector Support	Grant	10.4	20.0	Full Administration	21-Nov-02	Successful		Closed
CAM	Health Sector Support (Supplementary)	Grant	1.8	-	Full Administration	31-Mar-08	Successful		Closed
INO	Community Water Services and Health	Grant	7.5	-	Full Administration	07-Apr-05	Partly Successful	Less than Successful	Closed
NEP	Establishing Women and Children Service Centers (Supplementary)	Grant	0.2	-	Full Administration	18-May-11			Active
NEP	Establishing Women and Children Service Centers (Second Supplementary)	Grant	3.2	-	Full Administration	25-Mar-14			Active
NEP	Strengthening Public Management Program	Grant	4.0	21.0	Full Administration	26-Sep-12			Active
NEP	Road Network Development	Grant	9.6	46.0	Full Administration	13-Dec-01	Successful		Closed
NEP	Rural Reconstruction and Rehabilitation Sector Development (Supplementary)	Grant	20.0	-	Partial Administration	11-Nov-08	Successful		Closed
PAK	Punjab Devolved Social Services Program	Grant	30.0	150.0	Full Administration	20-Dec-04	Partly Successful		Closed
REG	Climate Public-Private Partnership Fund	Equity	94.3	-	Collaborative	28-Nov-14			
VIE	Central Region Livelihood Improvement	Grant	16.5	43.1	Full Administration	17-Dec-01	Successful		Closed

ADB = Asian Development Bank, AFG = Afghanistan, BAN = Bangladesh, CAM = Cambodia, DFID = Department for International Development of the United Kingdom, INO = Indonesia, NEP = Nepal, PAK = Pakistan, PCR = project completion report, PVR = project completion report validation report, REG = regional, VIE = Viet Nam.

Source: Asian Development Bank.

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
Development Partner Case Study

Table 1: ADB–JICA Partnership at a Glance

Partnership Indicators	2000-2004	2005-2009	2010-2014
Memorandum of Understanding		2007 ^a	
Framework Cofinancing Agreement		2007	
Cofinancing Templates		2007	
Knowledge Partnerships		Yes	Yes
Cofinancing: Loans and Grants (\$ million)	344.5	1,067.9	2,281.1
Cofinancing: Technical Assistance (\$ million)	0	0	0

^a In 2007, Asian Development Bank and the Japan Bank for International Cooperation (JBIC) signed a memorandum of understanding in 2007 on a Strategic Partnership including Contributions to Enhanced Sustainable Development for Asia and a framework agreement on the implementation of the accelerated financing scheme (ACFA). As JBIC's overseas economic cooperation operations were merged with the new Japan International Cooperation Agency (JICA), the responsibility for ACFA implementation on the Japanese side was transferred to JICA.

Sources: Office of Cofinancing Operations database; ADB. 2011. *Partnership Brief: Cofinancing with Japan*. Manila; ADB. 2014. *Asian Development Bank and Japan Fact Sheet*. Manila.

I. Background

1. Japan International Cooperation Agency (JICA) is an independent administrative agency that coordinates Japan's official development assistance (ODA). JICA today is a product of a reform to integrate Japan's official development assistance implementation organizations in 2008. The overseas economic cooperation operations (concessional loans) of the Japan Bank for International Cooperation (JBIC) and grant-aid operations of the Ministry of Foreign Affairs of Japan were transferred to JICA on 1 October 2008 to create a new JICA.¹ As a result of this restructuring, JICA has become one of the world's largest bilateral development organizations. It has about 90 overseas offices, 15 branch offices in Japan, and 1,842 full time staff (as of September 2014).²

2. JICA has three support mechanisms: technical cooperation, loan aid, and grant aid. Technical cooperation draws on Japan's technology, expertise, and experience to build capacity in developing countries. Technical cooperation is extended through training programs, experts, technological support, and studies to help policy makers and project planning. Loan aid is a concessional loan scheme to governments and public sector entities as well as to private sector recipients (private-sector investment finance). This forms the largest part of the JICA operations in terms of financial volume. Grant aid is a vehicle for support without the obligation for repayment. In addition to funding project and non-project activities, several special programs targeted for specific activities are funded through this scheme.³ It supports activities in more than 152 countries. Its operations in fiscal year 2014 (April 2014–March 2015) included Y176 billion for technical cooperation; Y111 billion for grant aid, and Y828 billion for loan aid.

3. Asia is the main region for JICA's operations. The commitment amounts for new loan aid in fiscal year 2014 for Asia accounted for 57.7% of the total or Y586 billion. Japan has been a major development partner for many Asian countries since the 1970s. Between the early 1980s and the early

¹ The Ministry of Foreign Affairs continues to implement some grant operations directly.

² JICA. 2014. *Annual Report*. Tokyo.

³ Grant aid is divided into the following categories according to its content: grant aid for general projects; non-project grant aid; grant aid for grassroots human security projects; grant assistance for Japanese NGO projects; grant aid for human resource development (scholarships); grant aid for cooperation on counter-terrorism and security enhancement; grant aid for disaster prevention and reconstruction; grant aid for community empowerment; grant aid for fisheries; cultural grant assistance (general cultural grant assistance and grant assistance for cultural grassroots projects); emergency grant aid; food aid; grant aid for environment and climate change; grant aid for poverty reduction strategies; and grant aid for conflict prevention and peacebuilding.

2000s, Japan was the largest bilateral donor to Asia.⁴ JICA and the former Overseas Economic Cooperation Fund (OECF) (whose functions were merged with the new JICA in 2008) have been the dominant institution within Japan’s overseas assistance. This makes JICA a key partner for Asian Development Bank (ADB).

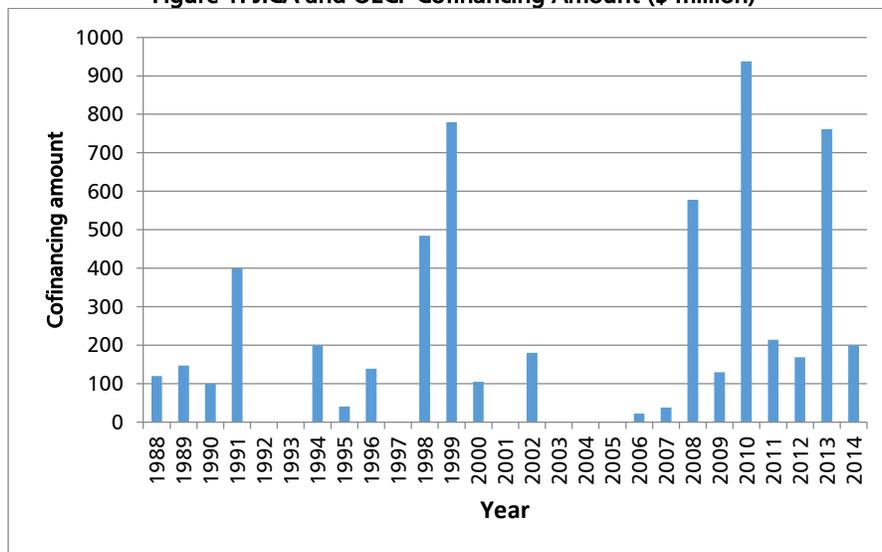
4. JICA’s vision is of an inclusive and dynamic development. Central to this vision are four missions: (i) addressing the global agenda (climate change, water, food, energy, infectious diseases, and financing); (ii) reducing poverty through equitable and inclusive growth; (iii) improving governance by strengthening policies, institutions, organizations, and human resources; and (iv) achieving human security by protecting people from threats and building societies where they can have dignity.⁵

II. Key Areas of Collaboration

5. **Project cofinancing.** JICA and OECF have a long history of cooperation with ADB. Their first cofinancing project with ADB was for the Forestry Sector Program in the Philippines in 1988—Asian Development Fund (ADF) and OECF each extended \$120 million loans for this project. The total cofinancing amount from JICA and OECF increased over time as Japan’s presence in development finance grew rapidly. The total cofinancing amount from JICA and OECF between 1988 and 2014 was \$5.7 billion. The average yearly amount was \$261 million, with significant year-to-year variations.

6. The cofinancing amount peaked in 2010 in the midst of the global economic crisis at \$938 million (Figure 1). A surge in cofinancing was also seen during the Asian financial crisis in 1997–1999, indicating that crisis response has been an important driver of collaboration. The Philippines received the largest amount of cofinancing from JICA and OECF (\$1.0 billion) with Viet Nam and Bangladesh in second and third positions in terms of amount (Figure 2).

Figure 1. JICA and OECF Cofinancing Amount (\$ million)



Source: Office of Cofinancing Operations database.

7. Over the period 2000–2014, JICA cofinanced 30 projects with ADB under direct value-added (DVA) cofinancing⁶ (Appendix 1). DVA cofinancing increased substantially to \$2.3 billion during 2010–

⁴ OECD. 2015. *Development Aid at a Glance*. Statistics by Region. 4. Asia. 2015 Edition.

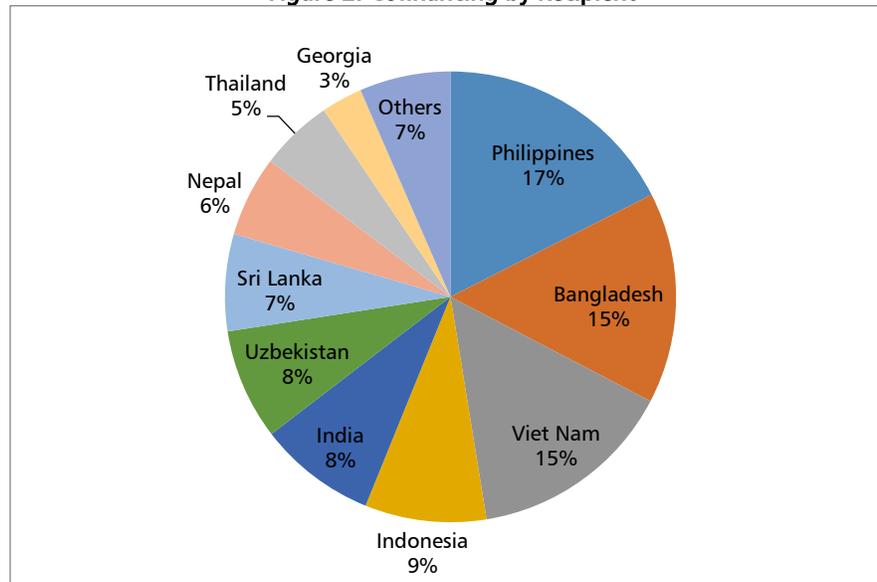
<http://www.oecd.org/dac/stats/documentupload/4%20Asia%20-%20Development%20Aid%20at%20a%20Glance%202015.pdf>

⁵ JICA. 2014. *JICA Profile*. Tokyo.

⁶ Direct value-added cofinancing refers to cofinancing with contractual obligations between ADB and a financing partner. ADB’s obligations under contractual direct value-added cofinancing vary according to the degree of financial, fiduciary, and/or administrative responsibility that the financing partner requests from ADB, usually in exchange for a fee.

2014, from \$344.5 million during 2000–2004. This was partly due to the expansion of country coverage and to large loans to Uzbekistan and Bangladesh for infrastructure projects.

Figure 2. Cofinancing by Recipient



Source: Office of Cofinancing Operations database.

8. By sector, transport received the largest share of total cofinancing (43%) over the period 2000–2014. Energy followed at 28%, and public sector management at 12%.

9. Most cofinanced projects operate according to a parallel or collaborative cofinancing mode of administration (83%). A few projects fall under ADB's partial administration, as in the case of projects under the accelerated financing scheme (ACFA) for the power sectors in Samoa and Uzbekistan, emergency disaster damage rehabilitation in Bangladesh, and transport corridor development in Kazakhstan.⁷

10. Of the 15 cofinanced projects with JICA during 2000–2014, 11 have had project completion reports. These reports rated one project *highly successful*, seven projects *successful*, and three projects *partly successful*. Of these reports, one has been validated by IED, which confirmed the project's *successful* rating.⁸

11. As of 2014, 15 cofinanced projects were active. These comprised projects for transport (5), power (5), water supply (2), irrigation system rehabilitation (1), public–private infrastructure development facility (1), and public sector management (1). Project implementation is generally on track.

⁷ For details, please refer to (i) ADB. 2007. *Report and Recommendation of the President for the Proposed Loan, Asian Development Fund Grant, and Technical Assistance Grant for the Power Sector Expansion in Samoa*. Manila; (ii) ADB. 2010. *Report and Recommendation of the President for the Proposed Loans and Administration of Loan for the Talimarjan Power Project in Uzbekistan*. Manila; (iii) ADB. 2008. *Report and Recommendation of the President for the Proposed Loan and Technical Assistance Grant for Emergency Disaster Damage Rehabilitation Project in Bangladesh*. Manila; and (iv) ADB. 2010. *Report and Recommendation of the President on the Proposed Multitranche Financing Facility and Administration of Loan for CAREC Transport Corridor I (Zhambyl Oblast Section) [Western Europe–Western People's Republic of China International Transit Corridor] Investment Program in Kazakhstan*. Manila.

⁸ Independent Evaluation Department. 2014. *Project Validation Report: Social Sectors Support Program in Mongolia*. Manila: ADB.

12. **Technical assistance.** There is no cofinancing for technical assistance (TA) between ADB and JICA. However, for activities to be financed by the Japan Fund for Poverty Reduction, JICA is consulted before the final approval by the Japan's Ministry of Finance.

13. **Knowledge-focused cooperation.** JICA has collaborated with ADB and other multilateral organizations on research to open up a wide institutional network and access to a large community of research scholars and practitioners. A notable example is that on climate risks and adaptation in Asian coastal cities, a 2-year collaborative research of ADB, JICA, and the World Bank.⁹ The study focused on three of Asia's megacities—Bangkok, Ho Chi Minh, and Metro Manila—and assessed the socioeconomic and infrastructure impact of climate change in the context of global warming to 2050. Prior to this, there were few studies of adaptive options for these cities based on a quantitative analysis of climate change risks.

14. Regarding project-based collaboration, JICA and ADB agreed to support a pilot project for carbon sequestration and monitoring in Central Java, Indonesia under the Science and Technology Research Partnership for Sustainable Development (SATREPS) in 2013.¹⁰ ADB committed \$10–\$12 million to cover the operating costs of the pilot project. SATREPS is a Japanese government initiative that promotes joint research under JICA. It aims to acquire new knowledge and to use research results to help find solutions to global issues affecting the environment, energy, biological resources, disaster prevention, and infectious diseases. SATREPS works through 3- to 5-year projects.

III. Level of Formalization of the Partnership

15. ADB and JBIC signed a memorandum of understanding in 2007 on a Strategic Partnership including Contributions to Enhanced Sustainable Development for Asia and a framework agreement on the implementation of ACFA (Table 2). The Enhanced Sustainable Development for Asia program is a partnership agreement aimed at improving investment climates, regional cooperation, and energy efficiency. The ACFA forms part of this initiative. Under the ACFA, ADB and JBIC will jointly develop and implement projects and programs for cofinancing, sectoral policies and studies, and economic and institutional reforms.

16. A unique feature of ACFA is that it provides a means for joint financing, while most JICA and OECF and ADB collaborations have been through parallel financing. Japanese institutions find parallel cofinancing preferable to joint cofinancing, which has constraints in terms of the timing and the processes for approval and implementation.

17. For ACFA, JBIC has preferred to pursue joint cofinancing as it has targeted cooperation in Central Asia and the Pacific, where JBIC has limited local presence. Under ACFA, four joint cofinancing projects in four countries were approved between 2007 and 2010. The total ADB commitment amount was \$685 million while the cofinanced amount by JBIC and JICA was \$466 million. As JBIC's overseas economic cooperation operations were merged with new JICA, the responsibility for ACFA implementation on the Japanese side was transferred to JICA.

18. Annual consultation meetings and more informal exchanges of views take place regularly. The most recent ADB-JICA high-level meeting took place in March 2015. It was organized as a full day retreat attended by vice presidents of both institutions. The key topics of discussion were emerging issues on infrastructure financing, and private sector participation in development projects. The formal high-level meetings typically take place once a year. There are regular contacts at the regional department and project officer levels.

⁹ ADB, JICA, and World Bank. 2010. *Climate Risks and Adaptation in Asian Coastal Megacities: A Synthesis Report*. Washington.

¹⁰ Japan Science and Technology Agency. 2013. *Asian Development Bank Prepares to Support SATREPS Indonesia Carbon Sequestration Project*. Tokyo. http://www.jst.go.jp/report/2013/130724_e.html

Table 2. Features of the ADB-JICA Partnership and Cofinancing Agreements

General Memorandum of Understanding		Framework Cofinancing Agreement: Accelerated Financing Scheme	
Scope			
Cofinancing	√	Cofinancing targets	
Information Sharing	√		
Joint Analytical Work			
Staff Exchange		Cofinancing templates	√
Other Purposes		Collaborative template	
Country Priority		Country priority	
Sector/Thematic Priority	√	Sector/thematic priority	
Programming			
Annual Programming		Annual programming	√
Annual Report		Annual report	√
Focal Point	√	Focal point	√
Role of Headquarters and Field Offices			
Dispute Resolution		Dispute resolution	Amicable settlement
Intellectual Property			
Review and Evaluation			
Expiration Date		Expiration date	
Work Program	√	Work program	
Results Framework		Results framework	
Review Mechanism	√	Review mechanism	√
Total Number of Features	6	Total number of features	6

Sources: JBIC and ADB. 2007. *Memorandum of Understanding between Japan Bank for International Cooperation and Asian Development Bank on Strategic Partnership including Contributions to Enhanced Sustainable Development for Asia*. Tokyo and Manila; ADB and JBIC. 2007. *Framework Agreement between Asian Development Bank and Japan Bank for International Cooperation for the Implementation of the Accelerated Cofinancing Scheme*. Manila and Tokyo.

IV. Assessment of the Partnership

19. The ADB-JICA partnership has become well-established through decades of engagement. JICA sees ADB as a valuable partner. Its experience of working with ADB has been positive, based on interviews and a questionnaire survey conducted by the ADB mission with JICA staff in July 2015. Four of five survey respondents felt that the relationship was satisfactory and one respondent assessed it as highly satisfactory. When asked to rank areas where partnering with ADB adds value, they identified access to policy makers, sector knowledge, and project financing among their top responses. The generally positive impression is reciprocated by three ADB staff who commented on the partnership with JICA in a questionnaire survey. Two of the ADB respondents rated the experience of working in partnership with JICA highly satisfactory, and one rated it satisfactory. In their views, partnering with JICA adds value mainly to financing, project development capabilities, sector knowledge, and access to policy makers.

20. Frequent dialogue among staff complements operational partnerships at the country level. JICA and ADB are often major players in country-based donor coordination networks. For example, in Viet Nam, JICA is part of the six-member Bank Coordination Group, collaborating closely with ADB, Agence Française de Développement, KfW Development Bank, and Korean Export-Import Bank, and the World Bank. In Bangladesh, JICA is one of the top four donors with ADB, the Department for International Development, and the World Bank.

21. However, JICA staff have noted that the depth and frequency of communication has decreased in some ADB-cofinanced projects, affected by the frequent changes in project officers in both institutions during the project implementation phase. The quality of communication often depends on personal efforts by project officers.

22. JICA survey respondents mentioned that sometimes the procurement process in the ADB portion falls behind schedule. Differences in the procurement and disbursement guidelines of various partners raise the transaction costs for countries and cooperating partners. ADB financing is perceived as relatively costly. On the other hand, ADB staff noted that the tied nature of JICA funding could create a challenge. Nonetheless, there was an expressed interest in strengthening the partnership from both sides.

23. The scope and depth of the partnership varies significantly across countries, depending on the nature of the challenges both institutions are facing on the ground and whether partnerships can offer solutions. The findings from the meetings with JICA staff seem to indicate that partnership with ADB is valued when JICA can tap into the expertise and knowledge that it lacks or cannot deploy in a timely manner on its own. For example, in Nepal, JICA sees advantages in partnering with ADB given the good working relationship in the country it has developed over years. There is also value in working with ADB to advance the policy dialogue. The perception is that developing country governments tend to regard multilateral institutions such as ADB and the World Bank as providing policy and technical advice in a more neutral way than bilateral organizations.

24. However, in some other countries where JICA has strong presence of its own, there is less need to work with ADB. The experience with ACFA demonstrates this well. ACFA was beneficial to JBIC's ODA operations in Central Asia because it lacked local presence in these countries. Its value reduced considerably with the merger with JICA in 2008, because JICA had a wider network of local offices in Central Asia.

V. Conclusions and Future Directions

25. The cooperation between the two agencies is strong and based on decades of experience. JICA recognizes the benefits and limitations from partnering with ADB. For JICA, ADB is a source of knowledge, human resources, and intangible working relationships with countries. ADB is an integral part of JICA's operational strategies and one of its most important partners in many countries.

26. ADB also sees JICA as a critical partner in achieving results and mobilizing finance. JICA is the dominant actor in development assistance in Japan and one of the largest donors in Asia and the Pacific. As the volume of financing leveraged is the key intended outcome of ADB's partnership strategy, it is natural for ADB to tap into financial and intellectual resources in Japan and to focus on JICA. ADB has accumulated knowledge of JICA's priorities and processes. Typically, collaboration has been through parallel cofinancing and, given Japan's preference for this mode of cofinancing over joint processing, this is likely to remain the predominant form of partnership for the foreseeable future.

27. Areas where the partnership could be strengthened include communications and information sharing during the implementation phase of cofinanced projects. The opportunity for further expansion in cofinancing lies in defining ADB's value as a knowledge provider. JICA is looking for partners that complement its strengths.

ADB-JICA Cofinancing, 2000-2014 (\$ million)

Country	2000–2004				2005–2009				2010–2014				Total (2000–2014)				Average Project Size
	DVA		Non-DVA		DVA		Non-DVA		DVA		Non-DVA		DVA		Non-DVA		
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
BAN	-	-	1	3.0	1	60.0	-	-	4	610.0	-	-	5	670.0	1	3.0	112.2
CAM	-	-	-	-	1	22.3	-	-	-	-	-	-	1	22.3	-	-	22.3
GEO	-	-	-	-	-	-	-	-	1	170.0	-	-	1	170.0	-	-	170.0
INO	-	-	1	5.0	-	-	4	1,800.0	1	200.0	1	100.0	1	200.0	6	1,905.0	300.7
KAZ	-	-	-	-	-	-	-	-	1	68.0	-	-	1	68.0	-	-	68.0
MON	-	-	1	45.0	1	30.0	-	-	-	-	-	-	1	30.0	1	45.0	37.5
NEP	1	47.5	1	18.0	-	-	-	-	1	184.0	-	-	2	231.5	1	18.0	83.2
PAK	-	-	-	-	-	-	-	-	1	49.0	-	-	1	49.0	-	-	49.0
PNG	-	-	-	-	-	-	-	-	-	-	1	1.2	-	-	1	1.2	1.2
PHI	1	40.0	-	-	2	400.0	-	-	2	200.0	-	-	5	640.0	-	-	128.0
PRC	1	20.0	-	-	-	-	-	-	-	-	-	-	1	20.0	-	-	20.0
SAM	-	-	-	-	1	38.0	-	-	-	-	-	-	1	38.0	-	-	38.0
SRI	3	180.0	1	11.2	-	-	-	-	-	-	-	-	3	180.0	1	11.2	47.8
THA	-	-	-	-	-	-	1	150.0	-	-	-	-	-	-	1	150.0	150.0
TIM	-	-	-	-	-	-	-	-	1	68.7	-	-	1	68.7	-	-	68.7
UZB	1	57.0	1	6.0	-	-	-	-	2	400.0	-	-	3	457.0	1	6.0	115.7
VIE	-	-	1	18.0	1	517.6	1	22.8	2	331.4	-	-	3	849.0	2	40.8	178.0
Total	7	344.5	7	106.2	7	1,067.9	6	1,972.8	16	2,281.1	2	101.2	30	3,693.5	15	2,180.2	130.5

BAN = Bangladesh, CAM = Cambodia, DVA = direct value -added cofinancing, GEO = Georgia, INO = Indonesia, JICA = Japan International Cooperation Agency, KAZ = Kazakhstan, MON = Mongolia, NEP = Nepal, PAK = Pakistan, PNG = Papua New Guinea, PHI = Philippines, PRC = People's Republic of China, SAM = Samoa, SRI = Sri Lanka, THA = Thailand, TIM = Timor-Leste, UZB = Uzbekistan, VIE = Viet Nam.

Source: Office of Cofinancing Operations database.

List of Projects Cofinanced by ADB and JICA, 2000–2014

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
BAN	Third Primary Education Development	Grant	30.0	-	Collaborative	05-Jul-11			Active
BAN	Second Public-Private Infrastructure Development Facility	Loan	96.0	110.0	Collaborative	17-Oct-13			Active
BAN	Emergence Disaster Damage Rehabilitation (Sector)	Loan	60.0	-	Partial Administration	31-Jan-08	Highly Successful	Successful	Closed
BAN	Padma Multipurpose Bridge	Loan	300.0	-	Collaborative	25-Nov-10			Terminated
BAN	Khulna Water Supply	Loan	184.0	75.0	Collaborative	14-Jun-11			Active
CAM	Second Power Transmission and Distribution	Loan	22.3	20.0	Collaborative	04-Oct-06			Closed
GEO	Road Corridor Investment Program – Tranche 1	Loan	170.0	118.8	Collaborative	14-Jan-10			Active
INO	Inclusive Growth through Improved Connectivity Program (Subprogram 2)	Loan	200.0	-	Collaborative	27-Nov-13			Closed
KAZ	CAREC Transport Corridor I (Zhambyl Oblast Section, Western Europe-Western PRC International Transit Corridor) Investment Program – Tranche 3	Loan	68.0	173.0	Partial Administration	15-Nov-10			Active
MON	Social Sectors Support Program	Loan	30.0	43.1	Collaborative	24-Jun-08	Successful	Successful	Closed
NEP	Tanahu Hydropower	Loan	184.0	-	Collaborative	21-Feb-13			Active
NEP	Melamchi Water Supply	Loan	47.5	120.0	Collaborative	21-Dec-00			Active
PAK	Sustainable Energy Sector Reform Program (Subprogram 1 – additional)	Loan	49.0	400.0	Collaborative	04-Jun-14			Active
PHI	Power Sector Development Program	Loan	300.0	450.0	Collaborative	08-Dec-06	Successful	Less than Successful	Closed
PHI	Electricity Market and Transmission Development	Loan	40.0	40.0	Partial Administration	09-Dec-02	Successful	Successful	Closed
PHI	Development Policy Support Program (Subprogram 2)	Loan	100.0	250.0	Collaborative	08-May-09			Closed
PHI	Development Policy Support Program (Subprogram 3)	Loan	100.0	250.0	Collaborative	14-Apr-10			Closed
PHI	Increasing Competitiveness for Inclusive Growth Program (Subprogram 1)	Loan	100.0	350.0	Collaborative	26-Jun-12			Closed
PRC	Coal Mine Methane Development	Loan	20.0	117.4	Collaborative	20-Dec-04			Closed
SAM	Power Sector Expansion	Loan	38.0	42.0	Partial Administration	21-Nov-07			Active
SRI	Plantation Development	Loan	25.0	30.0	Collaborative	13-Sep-02	Successful		Closed
SRI	Power Sector Development Program	Loan	75.0	60.0	Collaborative	31-Oct-02	Partly Successful		Closed
SRI	Road Sector Development	Loan	80.0	-	Collaborative	19-Dec-02	Successful		Closed
TIM	Road Network Upgrading	Loan	68.7	40.0	Collaborative	30-Mar-12			Active
UZB	Amu Bukhara Irrigation System Rehabilitation	Loan	100.0	220.0	Collaborative	25-Sep-13			Active

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
UZB	Senior Secondary Education	Loan	57.0	57.0	Collaborative	08-Feb-00	Partly Successful		Closed
UZB	Talimarjan Power	Loan	300.0	350.0	Partial Administration	20-Apr-10			Active
VIE	Improving Competitiveness Program	Loan	150.0	140.0	Collaborative	28-Nov-14			Active
VIE	Ho Chi Minh City-Loan Thanh-Dau Giay Expressway Construction	Loan	517.6	410.2	Collaborative	30-Sep-08			Active
VIE	GMS Ben Luc-Long Thanh Expressway – Tranche 1	Loan	181.4	350.0	Collaborative	19-Aug-13			Active

ADB = Asian Development Bank, BAN = Bangladesh, CAM = Cambodia, CAREC = Central Asia Regional Economic Cooperation, GEO = Georgia, GMS = Greater Mekong Subregion, INO = Indonesia, JICA = Japan International Cooperation Agency, KAZ = Kazakhstan, MON = Mongolia, NEP = Nepal, PAK = Pakistan, PCR = project completion report, PHI = Philippines, PRC = People's Republic of China, PVR = project completion report validation report, SAM = Samoa, SRI = Sri Lanka, TIM = Timor-Leste, UZB = Uzbekistan, VIE = Viet Nam.

Source: Asian Development Bank.

NETHERLANDS
Development Partner Case Study

Table 1. ADB–Netherlands Partnership at a Glance

Partnership Indicators	2000–2004	2005–2009	2010–2014
Memorandum of Understanding	2002		2010
Framework Cofinancing Agreement	None	None	None
Channel Financing Arrangement		2007	2013
Cofinancing Templates	2002		
Knowledge Partnerships			Yes
Staff Seconded			
• to ADB	0	0	0
• from ADB	0	0	0
Cofinancing: Loans and Grants (\$ million) ^a	185.2	105.1	15.3
Cofinancing: Technical Assistance (\$ million)	17.0	27.8	23.2

^a Direct value-added cofinancing.

ADB = Asian Development Bank

Sources: Office of Cofinancing Operations database; ADB. 2012 *Partnership Brief: Cofinancing with the Netherlands*. Manila.

I. Background

1. The Netherlands has a long-standing alliance with the Asian Development Bank (ADB). It was a founding member in 1966 and remains a shareholder, financier, cofinancier, and knowledge partner. As an ADB shareholder, it has 108,882 shares (1.0% of the total). It has an overall capital subscription of \$1.6 billion as of 31 December 2014, inclusive of callable capital¹ (\$1.5 billion) and a paid-in capital subscription (\$78.9 million). It is also among the top 10 contributors to the Asian Development Fund (ADF), a concessional financing window established in 1974 for ADB's poorest member countries.² As of 31 December 2014, the Netherlands had committed \$839.4 million to the ADF, and \$28.2 million to the Technical Assistance (TA) Special Fund, which provides grants to help prepare projects and carry out technical or policy studies.³

2. The Netherlands has cofinanced infrastructure development, educational improvements, disaster damage rehabilitation, resource planning and management, and governance reform in Asia. Its earliest cofinancing with ADB dates back to 1991 when it invested in a microcredit project in the Philippines.⁴ Country coverage of project cofinancing then expanded to India, Bangladesh, Pakistan, Viet Nam, and Sri Lanka during the rest of the 1990s, and to Cambodia and Indonesia in the 2000s.

3. The Netherlands has also provided trust funds for water and clean energy in line with ADB's strategic priorities. A recent example was its commitment of \$34.7 million over 2008–2017 to the Netherlands Trust Fund under the Water Financing Partnership Facility (WFPF).⁵ The WFPF is meant to augment financial and knowledge resources in implementing ADB's Water Financing Program and to increase investments in rural water, urban water, and basin water. The United Nations Educational, Scientific, and Cultural Organization–IHE (Institute for Water Education) in Delft, funded under a separate regional TA, is part of this effort. It exemplifies a knowledge partnership with a water-related institute in the Netherlands.

¹ Callable capital refers to the amount that the government has committed to ADB in the unlikely event of a large-scale default by ADB's borrowers. So far, no call has been made on ADB's callable capital. The financial data cited here came from (i) ADB. 2015. *Asian Development Bank and the Netherlands: Fact Sheet*. Manila and (ii) ADB. 2014. *Financial Report*. Manila.

² By size of contribution, other contributors in the top 10 are Japan, United States, Germany, Australia, Canada, France, United Kingdom, Italy, and Switzerland. ADB. 2014. *Financial Report*. Manila.

³ ADB. 2015. *Asian Development Bank and the Netherlands: Fact Sheet*. Manila.

⁴ ADB. 2012. *Partnership Brief: Cofinancing with the Netherlands*. Manila.

⁵ Prior to the WFPF, the governments of the Netherlands and Norway provided trust funds over the period 2001–2006 for the Cooperation Fund for the Water Sector. This served as a foundation upon which ADB built the WFPF. ADB. 2010. *Cooperation Fund for the Water Sector: Final Report*. Manila.

4. The Netherlands provided early support for ADB's growing focus on clean energy in the last decade through the Cooperation Fund for Promotion of Renewable Energy and Energy Efficiency (\$6 million) that was established in 2001. This focus was part of ADB's response to the evolution of the United Nations Framework Convention on Climate Change and to the signing of the Kyoto Protocol in 1997. The effort helped elevate local awareness of clean energy technologies. Through the same fund, in 2008 the Netherlands supported ADB's Energy for All Initiative to maximize access to energy, particularly by the rural poor in Asia and the Pacific.

5. The Netherlands consolidated its development focus in 2011 and consequently reduced its level of official development assistance (ODA) from 0.82% to 0.7% of its gross domestic product—the acknowledged target for global aid donors. The shift in the Dutch development agenda from aid to trade, given budgetary restrictions, has led to a development strategy that is more focused on specific thematic priorities and partner countries. Priority themes are food security, water, women's rights and sexual and reproductive health and rights, and the rule of law. Consequently, opportunities for partnerships or trust funds are now limited to a few areas.

II. Key Areas of Collaboration

6. **Trust funds.** Over the period 2000–2014, the Netherlands contributed to single- and multi-donor trust funds to finance TA and components of investment projects (Table 2).

Table 2. Trust Funds from the Netherlands

Trust Fund	Year Established	Objective	Amount Committed	Status
Single-Donor Trust Fund				
Dutch Cooperation Fund for the Promotion of Renewable Energy and Energy Efficiency	2001	Promote investments in renewable energy, energy efficiency, and greenhouse gas abatement technologies	\$6.0 million	Phase 1 completed
Water Financing Partnership Facility	2007	Support investments in rural, urban, and basin water under ADB's Water Financing Program	\$34.7 million	Ongoing
Multi-Donor Trust Fund				
Cooperation Fund in Support of the Formulation and Implementation of National Poverty Reduction Strategies	2001	Review the overall relevance of program designs, effectiveness and efficiency of implementation, and sustainability of outcomes from a strategic Asian Development Bank (ADB) perspective	\$6.0 million	Completed
Cooperation Fund for the Water Sector	2001	Promote effective water management policies and practices and catalyze the implementation of ADB's water policy	\$19.4 million	Completed
Cooperation Fund in Support of Managing for Development Results	2004	Help promote results-based management approaches	\$0.9 million	Completed

Source: ADB. 2015. *Asian Development Bank and the Netherlands: Fact Sheet*. Manila.

7. **Project cofinancing.** Over the period 2000–2014, the Netherlands cofinanced 25 projects with ADB under direct value-added cofinancing (DVA).⁶ DVA cofinancing declined substantially to \$15.6 million during 2010–2014 from a high of \$185.2 million during 2000–2004, and geographical coverage to two countries from seven (Table 3). This was due to the reduction of ODA arising from budget limitations and a shift towards a more concise development strategy that focuses on fewer partner countries. Attention to Asia has diminished. Bangladesh, a Dutch partner country, remains a special case.

8. Bangladesh has been a consistent recipient of DVA cofinancing during 2000–2014. It received \$139.3 million (46%), which went into investment projects for water resources development, primary education development, and disaster-related damage rehabilitation. Indonesia received \$72.6 million (24%) for infrastructure development, education, capacity building for decentralization, and disaster-related assistance. India received \$50 million (16.4%) for fiscal reform. The remaining DVA cofinancing went to Cambodia, Pakistan, Sri Lanka, and Viet Nam.

9. ADB has fully administered all cofinanced projects with the Netherlands. Under full administration, ADB provides a full range of services to the cofinancier, covering procurement of goods, works, and services; consultant selection and engagement; supervision of project implementation; and fund disbursement.

10. Nineteen cofinanced projects with the Netherlands during 2000–2014 have project completion reports (PCRs), of which 15 (79%) were rated either *successful* or *highly successful*. Independent Evaluation at ADB subsequently validated or evaluated 16 of these PCRs and rated 11 (69%) *successful*.⁷ Only one project was rated *unsuccessful*. The other four were rated *partly successful*. Although project validation report ratings and PCR ratings differed, the percentage of validated projects rated successful remained dominant.

Table 3. Evolution of the ADB-Netherlands Loan and Grant Cofinancing

Period	Countries	DVA Cofinancing		Non-DVA Cofinancing		Total Cofinancing		Average Project Size (\$ million)
		No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	
2000–2004		13	185.2	2	775.6	15	960.8	64.1
	Bangladesh	3	74.5	-	-	3	74.5	24.8
	Cambodia	1	2.4	-	-	1	2.4	2.4
	India	1	50.0	-	-	1	50.0	50.0
	Indonesia	3	28.5	-	-	3	28.5	9.5
	Pakistan	1	1.9	-	-	1	1.9	1.9
	Sri Lanka	3	17.3	1	1.5	4	18.8	4.7
	Viet Nam	1	10.6	1	774.1	2	784.7	392.3
2005–2009		10	105.1	2	138.5	12	243.6	20.3
	Bangladesh	3	49.5	-	-	3	49.5	16.5
	Indonesia	4	44.1	-	-	4	44.1	11.0
	Sri Lanka	1	10.7	-	-	1	10.7	8.7
	Viet Nam	-	0.8	2	138.5	2	139.3	69.6
2010–2014		2	15.6	-	-	2	15.6	7.8
	Bangladesh	1	15.3	-	-	1	15.3	15.3
	Bhutan	1	0.3	-	-	1	0.3	0.3
2000–2014		25	305.9	4	914.1	29	1,220.0	42.1

⁶ The glossary of ADB's Office of Cofinancing Operations defines direct value-added cofinancing as cofinancing with contractual obligations between ADB and a financing partner. ADB's obligations under contractual direct value-added cofinancing vary according to the degree of financial, fiduciary, and/or administrative responsibility that the financing partner requests from ADB, usually in exchange for a fee.

⁷ The preparation of project validation reports started in 2007 to provide a more independent view of project performance documented in the PCRs. Prior to this, only PCRs were available.

Period	Countries	DVA Cofinancing		Non-DVA Cofinancing		Total Cofinancing		Average Project Size (\$ million)
		No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	
	Bangladesh	7	139.3	-	-	7	139.3	19.9
	Bhutan	1	0.3	-	-	1	0.3	0.3
	Cambodia	1	2.4	-	-	1	2.4	2.4
	India	1	50.0	-	-	1	50.0	50.0
	Indonesia	7	72.6	-	-	7	72.6	10.4
	Pakistan	1	1.9	-	-	1	1.9	1.9
	Sri Lanka	5	28.0	1	1.5	6	29.5	4.6
	Viet Nam	2	11.4	3	912.6	5	924.0	230.8

DVA = direct value-added.

Sources: OCO financing database; ADB. 2012. *Partnership Brief: Cofinancing with the Netherlands*. Manila.

11. As of 2014, five cofinanced projects were ongoing. These involved projects in water resources planning and management, flood and riverbank erosion risk management, dry zone urban water and sanitation, infrastructure reform, and socioeconomic development. Project implementation was on track, with no reported actual or potential problems.

12. **Technical assistance.** During the period under review, 29 country-specific TA operations that were cofinanced with the Netherlands were completed. Of the 15 TA projects with TA completion reports, 12 (80%) were rated either *successful* or *highly successful*.

13. An ongoing regional TA (RETA 6498)—Knowledge and Innovation Support to ADB’s Water Financing Program—helps to demonstrate innovations and to enhance knowledge and tools to promote informed dialogue with client governments. Financing comes from the Netherlands Trust Fund and from the Multidonor Trust Fund under the WFPF. This regional TA supports small grant projects that provide valuable on-demand direct assistance to operations departments and clients to enable testing of innovative development approaches, strengthen policy dialogue and reform agenda formulation, country programming, and project preparation and implementation. It also provides resources for direct knowledge and communication support to projects, knowledge products development, and knowledge and networking events.

14. **Knowledge-focused cooperation.** Under RETA 6498, the United Nations Educational, Scientific, and Cultural Organization (UNESCO)–IHE (Institute for Water Education) is responsible for providing a pool of experts and expert guidance on education, capacity development, and knowledge networking programs.⁸ ADB is the first multilateral development bank to be a knowledge partner of UNESCO-IHE. The priority areas of expertise cover water and climate change; water and food security; water, environment, and ecosystems; sanitation and wastewater management; water governance; and government-corporate-society partnerships. The partnership has also led to annual Water Learning Weeks, organized by UNESCO-IHE. In 2015, 16 of 49 participants were ADB staff.

15. The first phase of the knowledge partnership ended in April 2015, after 2.5 years. It was marked by a satisfactory collaboration between ADB and UNESCO-IHE, quick provision of services in case of urgent need (e.g., mobilization of a flood risk expert after a flood in Thailand), and good supervision of assignments.⁹ The second phase began in May 2015, but the new arrangements no longer allow external consultants to participate. ADB accepts only consultants of nationalities of member countries, which is not acceptable to UNESCO. This will probably limit the coverage and effectiveness of the new partnership agreement because there are limits to tapping UNESCO-IHE’s large

⁸ ADB and UNESCO-IHE Institute for Water Education. 2011. *Technical Assistance Partnership Agreement (Knowledge and Innovation Support for ADB’s Water Financing Program)*. Manila and Delft.

⁹ Interview with UNESCO-IHE staff in June 2015.

network of alumni and consultants.¹⁰ The new agreement now focuses on IHE staff, and deals with water legislation issues, water accounting, and peer reviews.

16. **Secondment arrangements.** There were no secondments during the period under review (2000–2014). Administrative delays in the Netherlands hampered the secondment of Dutch expertise to ADB, resulting in the late posting of the proposed secondee in 2015 to the Sustainable Development and Climate Change Department (SDCC).

III. Level of Formalization of the Partnership

17. The ADB-Netherlands partnership is a formal one. A framework cofinancing agreement is not in place, but a general agreement signed in 2002 and amended in 2010 governs the partnership. It is supported by a channel financing arrangement (2007), which established the Netherlands Trust Fund for the WFPF (Table 4). The 2002 general agreement spells out various tasks and responsibilities, including project planning and selection, financing arrangements, fund administration, reporting and audit, consultations, amendments to the agreement, and dispute resolution. It also provides templates for administrative and channel financing arrangements.

Table 4. Features of the ADB-Netherlands Partnership and Cofinancing Agreements

General Memorandum of Understanding		Channel Financing Arrangement: Water Financing Partnership Facility	
Scope			
Cofinancing	√	Cofinancing targets	\$12.8 million (2007–2012) \$21.9 million (2013–2017)
Knowledge and Research			
Joint Analytical Work			
Staff Exchange		Cofinancing templates	√
Other Purposes		Collaborative template	√
Country Priority		Country priority	√
Sector Priority		Sector priority	√
Programming			
Annual Programming	√	Annual programming	√
Annual Report	√	Annual report	√
Focal Point		Focal point	Office of Cofinancing Operations
Role of HQ and Field Offices			
Dispute Resolution	Amicable. Discussion and conciliation	Dispute resolution	Amicable. Discussion and conciliation
Intellectual Property			
Review and evaluation			
Expiration Date		Expiration date	2017 for the financial contribution
Work Program		Work program	√
Results Framework		Results framework	√
Review Mechanism		Review mechanism	√
Total Number of Features	4	Total number of features	13

Sources: ADB and the Netherlands. 2002. *General Agreement on Operational Arrangements Related to Cofinancing*. Manila; ADB and the Netherlands. 2007. *Channel Financing Arrangement: Netherlands Trust Fund for the Water Financing Partnership Facility*. Manila and The Hague.

¹⁰ While resource persons could be hired for a maximum of 10 days for workshops, seminars, and forums, the recent waiver on the engagement of nationals of non-ADB member countries in TA operations does not apply to other activities such as project preparation and implementation, operational research and joint studies, and strengthening knowledge hubs and networks that call for a longer term engagement of experts.

18. In 2010, a memorandum of understanding clarified ADB's internal control over financial reporting for trust funds and removed the requirement to audit each Dutch trust fund contribution upon completion. In the amended agreement, the Netherlands government now requires ADB's external auditors to submit a letter that explains that ADB has a generic set of processes and internal controls over financial reporting, which do not differentiate between ADB's own funds and those administered on behalf of others.¹¹

19. The 2007 channel financing arrangement concerning the Netherlands Trust Fund for the WFPF specifies arrangements to support the 2002 general agreement. Apart from mapping out the payment schedule, it stipulates support for the Water Financing Program through knowledge, capacity, and innovation services; engagement with civil society; and regional cooperation. It identifies poorer countries with access to the ADF as targets for safe drinking water and sanitation services; requires ADB to submit annual work programs; and calls for annual meetings to review project progress, strategic directions for the WFPF, and administration matters.

20. In 2013, an amendment to the channel financing arrangement modified the payment schedule and provided an additional grant contribution of \$15 million until 2017. It prioritized Afghanistan, Bangladesh, Indonesia, Myanmar, and Viet Nam for country-specific TA, and supported knowledge and innovation under RETA 6498 for ADB's Water Financing Program with at least \$15 million.

21. Annual WFPF consultation meetings are held, as part of a gathering of donors, staff involved in various financing partnership facilities,¹² and other stakeholders. A high-ranking ADB official opens the annual consultation meeting, along with the head of ADB's Office of Cofinancing Operations (OCO) and a director of the SDCC. The program usually features an overview of the pertinent partnership facility, a discussion of the annual report, a presentation of success stories and lessons learned, and a discussion of the annual work program.

22. In collaboration with ADB's OCO, the WFPF secretariat maintains close communication with partners to ensure timely submission of requests and requirements. The donor also receives various reports on the WFPF—annual report, annual work program, audited financial statements, and semiannual progress report. The Netherlands government is satisfied with these arrangements and finds them to be working well.

IV. Assessment of the Partnership

23. Partnership in development cooperation between ADB and the Netherlands has been responsive to shared development priorities and has contributed to development results through various projects and TA operations. The partnership, however, took a new turn in the last 5 years, particularly in terms of the decline in project-specific cofinancing from the Netherlands. Budget cuts and the recent shift in budget uses translated into a reduction in the number of priority development themes—food security, water, women's rights and sexual and reproductive health and rights, and the rule of law—and to fewer priority countries as well. While water and gender development are top priorities within ADB strategies, this is less the case for food security (agriculture) and the rule of law. Some of the countries the Netherlands has supported in the past are also becoming more developed, hence, the argument goes, they require less special support through ADB trust funds and project-specific cofinancing.

24. The Netherlands' special interest in ADB's water sector and gender development ambitions has led to more collaboration with ADB on water operations than on gender, probably because the former is an older and more established interest. The Netherlands government has played an important role in establishing the WFPF, which has mobilized knowledge resources and financing in dealing with

¹¹ An exception is the income allocation process by which investment income is apportioned to the trust funds.

¹² Partnership facilities represented in the annual consultation meeting are urban financing, clean energy, water, and health.

pressing water needs in Asia and which supports ADB's Water Financing Program.¹³ Trust funds are instrumental in seed funding and in developing ADB policy in water, which may ultimately benefit Dutch networks.

25. Examples of other good aspects of the partnership exist. The completed Decentralized Basic Education Project in Indonesia (Loan 1863/Grant 0047) that the Netherlands cofinanced was rated *successful*. It covered some of the country's poorest provinces and strengthened capacity during Indonesia's transition to a decentralized basic education system. It strengthened school and district capacity for managing basic education and enhancing school infrastructure.¹⁴ In Bangladesh, the cofinanced Second Small-Scale Water Resources Development Project boosted agricultural and fishery production by supporting better protection from floods and increasing the availability of water for irrigation. It invested in community-based infrastructure development; water resources-oriented support programs; microcredit, extension and project management support; and partnerships among government agencies and project beneficiaries. The project was also rated *successful*.¹⁵

26. In relation to ongoing programs, the Infrastructure Reform Sector Development Program in Indonesia (Loan 2264/Grant 0064) offers a unique and innovative example. It provides grant support to develop an infrastructure project development facility for promoting public-private partnership projects, which helps finance pre-feasibility studies and assess their viability and bankability.¹⁶ The program is part of a long-term initiative of implementing reforms—increasing access to infrastructure services and improving policies, laws, and institutions—to attract private sector infrastructure investments. These are crucial to help meet the country's infrastructure investment requirements. Project implementation is on track.

27. **Perceptions of the partnership.** In the Netherlands government's evaluation, ADB is well-functioning, transparent, and results-focused.¹⁷ It is flexible in adjusting to a changing environment in Asia and the Pacific. Its 2014 scorecard showed a maximum rating (4) in four areas: strategy and focus, results management, financial management, and use of independent evaluations. Effectiveness of internal governance, personnel management, and internal control of corruption had a score of 3. Although the partnership with ADB received a modest score (2), there is an expectation of positive change. The scorecard also indicated that ADB is relevant for Dutch development cooperation. Its development priorities are well-aligned with Dutch priorities, particularly water, climate change, and gender equity.

28. In terms of staff interviews and questionnaire surveys during 2015, respondents from the Netherlands conveyed a positive assessment of cooperation with ADB.¹⁸ Three-fourths of the survey respondents said their experience working in partnership was satisfactory and one-fourth felt that it was highly satisfactory. When asked to list the three top areas where partnering with ADB adds value, they listed access to policy makers for policy dialogue, financing, and project development capabilities. Moreover, in the case of knowledge partnership, the alliance with ADB expanded the network of partner institutes in water-related capacity development projects.

¹³ As of 2014, the WFPF had reached 49 million people (of a target of 500 million) by improving access to water supply and sanitation, to 7 million people (of a target of 95 million) by supporting more efficient and productive irrigation and drainage services, and to 19 million people (of a target of 170 million) by reducing the risk of flooding. Aside from the Netherlands, six donors support the WFPF through specific trust funds (Australia, Austria, Norway, Spain, and Switzerland for the Multi-Donor Trust Fund and Bill and Melinda Gates Foundation for the Sanitation Financing Partnership Trust Fund [ADB. 2014. *Water Financing Partnership Facility Annual Report 2014*. Manila]).

¹⁴ Independent Evaluation Department. 2014. *Project Performance Evaluation Report on Decentralized Basic Education in Indonesia*. Manila: ADB.

¹⁵ IED. 2014. *Project Validation Report: Second Small-Scale Water Resources Development Project in Bangladesh*. Manila: ADB.

¹⁶ See Footnote 4.

¹⁷ Ministry of Foreign Affairs of the Netherlands. 2014. *Scorecard Asian Development Bank*. The Hague.

¹⁸ Four respondents from the Netherlands participated in ADB's survey of development partners.

29. Regarding problem areas, half of the respondents pointed to cumbersome ADB procedures and lack of compatibility between the procedures and regulations of partners, particularly with those of UNESCO. A respondent noted, however, that ADB staff are professional, dedicated, and willing to search for solutions to problems.

30. All ADB staff respondents indicated¹⁹ that the relationship with the Netherlands was highly satisfactory. They stated that partnering with the Netherlands added value mainly to financing, access to policy makers and policy dialogue, and sector knowledge. These were the highest ranked responses. One ADB respondent noted that the Netherlands is the most prominent development partner in the water sector in Bangladesh. Its grant financing has helped convince the government to include adequate consulting services and studies, which contributed to an improvement to project quality.

31. Another respondent observed that, at the country level, the full project administration arrangement minimized complications at ADB and at the executing agencies. Autonomous decision making at the Netherlands embassy, moreover, enabled quick and practical decision making because there was no need to send inquiries to the home country.

32. There were certain occasions, however, when the Netherlands government (not the embassy) required the ADB project team or the executing agency to follow its requirements for environment and gender matters, despite the full project administration arrangement specified in the agreement. Another problem area was the lack of funds, as in the case of the WFPF. Limited funding tended to restrict the scope of collaboration.

V. Conclusions and Future Directions

33. The development financing landscape is changing. In the wake of global developments and new thinking around support for development aid, the Netherlands government is shifting from aid to a trade relationship with countries.²⁰ However, it remains committed to supporting inclusive growth processes. It is also reshaping its relationships with development partners and other organizations.

34. The new aid, trade, and investment agenda, as articulated by the Ministry of Foreign Affairs in 2013, focuses on three groups of countries: (i) countries whose relationship with the Netherlands is mainly based on aid (Afghanistan and six other countries, mostly in Africa); (ii) countries in which it has a transitional relationship, where both aid and trade play a role (Bangladesh, Indonesia, and six African countries); and (iii) countries in which the relationship revolves around trade and investment (India, Japan, Republic of Korea, Malaysia, Singapore, Viet Nam, and several other countries in Europe, North America, and the Middle East). In selecting these countries, the guiding considerations were levels of income and poverty, the human development index, activities of other donors, knowledge and expertise the Netherlands has to offer, opportunities for the Dutch private sector, and historical relationship with the Netherlands. Dialogue will be pursued with each country to decide what the relationship should entail. Consequently, the new country priorities of the Netherlands will limit the extent of future engagement with ADB, particularly in terms of project-specific cofinancing. The intensity of the Dutch development aid relation with Asian countries is diminishing, especially in the case of Viet Nam. Viet Nam will cease to be a special focus for the Netherlands in 2017.

35. Based on the new agenda, Dutch policies are now more open to linking assistance policies and business interests, prompted also by growing financial constraints and the emergence of certain Asian countries in international politics and economics (People's Republic of China and India). Businesses are also becoming more active in developing countries not only as trade partners, but also as investors in

¹⁹ Three ADB staff members responded to the survey of development partners.

²⁰ Ministry of Foreign Affairs of the Netherlands. 2013. *A World to Gain: A New Agenda for Aid, Trade and Investment*. The Hague.

projects that transfer knowledge and technology. Businesses and research institutions, moreover, are actively searching for solutions to global problems such as food security and water. The Netherlands foresees new forms of cooperation with companies, research institutions, and nongovernment organizations. Although it will retain its country list for bilateral cooperation, it plans to increase its flexibility by reviewing it frequently.

36. Relationships with international organizations are also changing. Aid from the Netherlands will focus more sharply on international organizations that are engaged in areas where Dutch companies, research institutions, and civil society organizations have expertise. The Netherlands has indicated that the traditional division into channels—bilateral, multilateral, civil society organizations, and the private sector—is likely to become less relevant and that cooperation is becoming increasingly more hybrid.²¹ A regional approach is seen as the best means to tackle problems involving food security and instability. Trilateral cooperation is expected to grow in direct poverty reduction initiatives. In such alliances, the Netherlands will work with an emerging middle-income country to support the development of a low-income country. Thus, future engagements of ADB with the Netherlands will have to be strategic and aligned with its development approach.

37. **Areas for future development cooperation.** Certain areas appear promising for future cooperation between the Netherlands and ADB. Water, climate change, gender, and regional cooperation rank high on ADB's development agenda, and will offer relevant choices for the future. ADB's strategic priorities for 2014–2020, as articulated in its midterm review of Strategy 2020, recognize the importance of linking operations to inclusive growth.²² This requires making infrastructure more inclusive, improving food security, and narrowing gender gaps, among others. Pivotal to achieving food security are efforts to increase agricultural productivity through investments in water infrastructure, research and development, and agribusiness and to strengthen links with global value chains and food systems. ADB is also mainstreaming gender across its operations. In addition, it is investing directly to narrow gender disparities in access to productive assets, education and skills training, and services.

38. Under environment and climate change, ADB's priorities until 2020 include scaling up support for climate adaptation; promoting natural resource management to boost food and water security and to maintain or sequester carbon to mitigate climate change; and facilitating access to global and regional funds to help countries transition to an environmentally sustainable development path. To reduce vulnerability to natural hazards, ADB is expanding its support for integrated disaster risk management and promoting the integration of climate change adaptation with disaster risk management. It will also act as a regional conduit for sharing skills, knowledge, and expertise on disaster risk management.

39. In international negotiations, the Netherlands has pledged to contribute to the costs of mitigation and adaptation to climate change in developing countries.²³ This contribution will go hand in hand with seizing opportunities in water and agriculture, which are relevant to climate and the environment. Given the link between climate change and natural disasters, disaster risk reduction and disaster resilience will be important, along with mainstreaming climate within sustainable water management and food security programs. Thus, both ADB and the Netherlands have a common stake in this area, which can be further pursued in future cooperation.

40. An evaluation by a prominent Dutch institute assessed that ADB is a valuable partner for the Netherlands in water, particularly in relation to ADB's WFPF.²⁴ It concluded that the Asian water sector

²¹ Footnote 20.

²² ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific*. Manila.

²³ Footnote 20.

²⁴ Netherlands Institute of International Relations (Clingendael). 2014. *The Asian Development Bank: What's in it for Europe?* The Hague.

is an area of shared interest and there is potential to deepen existing ties. In a region of rapid economic growth and a diversity of water challenges (competing demand, misuse, and pollution), water resources management is vital. Water insecurity can be a potential source of conflict. Where partnership activities contribute to regional stability by dealing with environmental challenges and managing potential conflict, there are positive consequences for trade, investment, and finance. ADB's positive role in this regard can be beneficial to Dutch business interests.

41. Overall, the Netherlands' changing development financing terrain, new country and thematic priorities, and shifting relationships will shape the outlook for further development cooperation. On the part of ADB, some of its member countries are graduating from the poor country category, which will trim the list of countries eligible for fresh funding from the Netherlands. New project-specific cofinancing and scaling up project initiatives outside specified priorities appear uncertain.

42. Nevertheless, future cooperation in certain thematic priorities between the Netherlands and ADB will likely continue. The Netherlands government has budgetary allocations for specific development themes—water, environment, and climate; food security; women's rights and sexual and reproductive health and rights; and rule of law.²⁵ These allocations are substantial and are open to interested multilateral organizations.

²⁵ The global budgetary allocation of the Netherlands government to priority development themes in 2017, for example, is about €1.3 billion, of which about €320 million is for water, environment, and climate; €350 million for food security; €475 million for women's rights and sexual and reproductive health and rights; and €190 million for security and rule of law. <http://rijksbegroting.nl/2016/voorbereiding/begroting?hoofdstuk=40.43>

List of Projects Cofinanced by ADB, Netherlands, and Netherlands Water Financing Partnership Facility, 2000–2014

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
BAN	Beneficiary Participation and Project Management (Supplementary)	Grant	0.2	-	Full Administration	14-Feb-01	Successful		Closed
BAN	Small Scale Water Resources Development Sector II	Grant	24.3	34.0	Full Administration	12-Jul-01	Successful	Successful	Closed
BAN	Southwest Area Integrated Water Resources Planning and Management	Grant	12.5	20.0	Full Administration	23-Nov-05			Active
BAN	Flood and Riverbank Erosion Risk Management Investment Program – Project 1	Grant	15.3	65.0	Full Administration	03-Jul-14			Active
BAN	Second Primary Education Development Program (Sector Loan)	Grant	50.0	-	Full Administration	03-Nov-03	Successful		Closed
BAN	Emergency Disaster Damage Rehabilitation (Sector) (Supplementary)	Grant	24.0	-	Full Administration	03-Feb-09	Highly Successful	Successful	Closed
BAN	Emergency Flood Damage Rehabilitation	Grant	13.0	180.0	Full Administration	20-Jan-05	Highly Successful	Successful	Closed
BHU	Rural Renewable Energy Development	Grant	0.3	21.6	Collaborative	29-Oct-10	Highly Successful	Successful	Closed
CAM	Commune Council Development	Grant	2.4	10.0	Full Administration	03-Dec-02	Highly Successful	Successful	Closed
IND	Modernizing Government and Fiscal Reform in Kerala	Grant	50.0	200.0	Full Administration	16-Dec-02	Partly Successful	Less than Successful	Closed
INO	Participatory Irrigation Sector	Grant	15.0	73.0	Full Administration	18-Dec-03	Successful	Successful	Closed
INO	Decentralized Basic Education	Grant	28.0	100.0	Full Administration	14-Mar-06	Successful		Closed
INO	Earthquake and Tsunami Emergency Support	Grant	3.5	291.0	Full Administration	07-Apr-05			Closed
INO	Infrastructure Reform Sector Development Program (Project Loan)	Grant	7.6	26.5	Full Administration	21-Nov-06			Active
INO	Sustainable Capacity Building for Decentralization	Grant	8.5	42.2	Full Administration	10-Dec-02	Successful	Less than Successful	Closed
INO	State Audit Reform Sector Development Program	Grant	5.0	225.0	Full Administration	13-Dec-04	Partly Successful/ Successful	Less than Successful/ Successful	Closed
INO	Community Water Services and Health	Grant	5.0	30.6	Full Administration	07-Apr-05	Partly Successful	Less than Successful	Closed
PAK	Supporting Public Resource Management Reforms in Balochistan	Grant	1.9	3.0	Full Administration	26-Nov-04	Unsuccessful	Unsuccessful	Closed
SRI	Protected Area Management and Wildlife Conservations	Grant	4.0	12.0	Full Administration	13-Sep-01	Successful		Closed
SRI	Coastal Resource Management	Grant	12.8	-	Full Administration	04-Aug-00			Closed
SRI	North East Community Restoration and Development	Grant	0.5	-	Full Administration	16-Oct 01	Highly Successful		Closed

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
SRI	Tsunami-Affected Areas Rebuilding Project (Supplementary)	Grant	8.7	-	Full Administration	26-Jun-06			Active
SRI	Dry Zone Urban Water and Sanitation	Grant	2.0	83.0	Full Administration	28-Nov-08			Active
VIE	Second Red River Basin Sector	Grant	10.6	70.0	Full Administration	27-Jun-02	Successful		Closed
VIE	Thanh Hoa City Comprehensive Socioeconomic Development	Grant	0.8	-	Full Administration	05-Mar-09			Active

ADB = Asian Development Bank, BAN = Bangladesh, BHU = Bhutan, CAM = Cambodia, IND = India, INO = Indonesia, PAK = Pakistan, PCR = project completion report, PVR = project completion report validation report, SRI = Sri Lanka, VIE = Viet Nam.

Source: Asian Development Bank.