

ADB Partnerships with Multilateral Development Banks

(EBRD, EIB, and IFAD)

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
Development Partner Case Study

Table 1. ADB–EBRD Partnership at a Glance

Partnership Indicators	2000–2004	2005–2009	2010–2014
Memorandum of Understanding	2011	-	-
Framework Cofinancing Agreement	-	-	-
Channel Financing Agreement	-	-	-
Cofinancing Templates	-	-	-
Knowledge Partnerships			Yes
Staff Seconded			
• to ADB	0	0	0
• from ADB	0	0	0
Cofinancing: Loans and Grants (\$ million) ^a	0	0	226.5
Cofinancing: Technical Assistance (\$ million)	0	0.009	0

^a This refers to direct value-added cofinancing.

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development.

Source: Office of Cofinancing Operations database.

I. Background

1. The European Bank for Reconstruction and Development (EBRD) was established in 1991 to help build a new, post-Cold-War era in Central and Western Europe. In its early years, EBRD established a reputation for its expertise on transitioning Eastern European and ex-Soviet countries from central command to open market economies. It was heavily involved in banking system reform, price liberalization, policy dialogue on privatization, and the creation of appropriate legal frameworks for property rights in these countries.¹

2. EBRD is mandated to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative. It has a political mandate in the sense that it assists only those countries committed to and applying the principles of multiparty democracy, pluralism, and market economics. It is currently active in more than 30 countries from Central Europe to Central Asia and the Southern and Eastern Mediterranean. EBRD's lending stands at around €9 billion a year.²

3. EBRD has 1,848 staff members, of whom 75% are based in its London headquarters and 25% across its 38 resident offices (as of 2014). Its shareholders comprise 64 countries, the European Union, and the European Investment Bank (EIB). EBRD's authorized share capital is €30 billion. Its paid-in capital was €6.2 billion as of 31 December 2014.³

4. EBRD works mainly with private sector clients, but also finances municipal entities and publicly owned companies. Its financing for private sector projects ranges from \$5 million to \$250 million in the form of loans and equity. The average EBRD investment is \$25 million. Smaller projects may be financed through financial intermediaries or through special programs for smaller direct investments in less advanced countries.⁴ Most countries EBRD deals with are middle-income countries and are therefore less attractive for grant donors. Cofinancing with grant donors is nevertheless regarded as needed to hasten the transition toward a market economy. Unfair competition with private sector financiers, however, is being watched at EBRD by boosting the value addition of its operations. Trust funds in EBRD are more investment-related than those at the Asian Development Bank (ADB) and certainly than at the World Bank. EBRD has mainly engaged with private sector partners and

¹ EBRD. 2015. *History of the EBRD*. London. www.ebrd.com/who-we-are/history-of-the-ebrd.html

² EBRD. 2014. *Annual Report*. London.

³ EBRD. 2014. *Financial Report*. London.

⁴ EBRD. 2015. *Products and Services*. London. www.ebrd.com/what-we-do/products-and-services.html

creditworthy municipalities rather than with central government partners. Nevertheless, some EBRD staff met during the Independent Evaluation Department (IED) mission indicated that this might have to change. For EBRD to provide more policy advice to governments on private sector development and transition issues, grant-based donor funds are needed.

5. For the period 2000–2014, direct value-added (DVA) cofinancing⁵ between EBRD and ADB was limited. A road corridor improvement project in Kazakhstan was approved in 2012. A power transmission rehabilitation project in Armenia, which focuses on supplying electricity to urban and rural consumers in support of inclusive development, followed in 2014.

6. EBRD's country priorities for cofinancing with ADB cover nine countries. These are Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan.

II. Key Areas of Collaboration

7. **Project cofinancing.** Over the period 2000–2014, EBRD cofinanced two projects under DVA cofinancing, which amounted to \$226.5 million (Table 2). Kazakhstan received 87% of this, with the remainder going to Armenia. The cofinanced projects are currently administered under collaborative (or parallel) cofinancing.⁶ Project implementation is on track.

Table 2. Evolution of the ADB-EBRD 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		0	0	1	28.5	1	28.5	28.5
	Armenia	0	0	0	0	0	0	0
	Kazakhstan	0	0	0	0	0	0	0
	Regional	0	0	1	28.5	1	28.5	28.5
2005–2009		0	0	1	180.0	1	180.0	180.0
	Armenia	0	0	0	0	0	0	0
	Kazakhstan	0	0	1	180.0	1	180.0	180.0
	Regional	0	0	0	0	0	0	0
2010–2014		2	226.5	1	40.0	2	226.5	113.2
	Armenia	1	30.0	1	40.0	2	70.0	35.0
	Kazakhstan	1	196.5	0	0	1	196.5	196.5
2000–2014	Total	2	226.5	3	248.5	5	475.0	95.0
	Armenia	1	30.0	1	40.0	2	70.0	35.0
	Kazakhstan	1	196.5	1	28.5	2	225.0	112.5

ADB = Asian Development Bank, EBRD = European Bank for Reconstruction and Development, DVA = direct value-added.

Source: Office of Cofinancing Operations database.

8. **Technical assistance.** EBRD cofinanced a regional technical assistance project (TA) from 2004–2006, which sought to increase the effectiveness of development assistance through harmonization, alignment, partnership, and management for development results.⁷ Country case studies on best practice were presented at regional workshops in Bangkok and in Bishkek and provided inputs to the Paris Declaration forum. The TA completion report rated the TA *highly successful*.

⁵ 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.

⁶ It is possible that some EBRD projects that started before Office of Cofinancing Operations introduced the parallel cofinancing category in 2008 could have been counted separately (not as cofinanced projects).

⁷ ADB. 2004. *Regional Workshops in Preparation for the Second High-Level Forum on Harmonization and Alignment for Aid Effectiveness*. Regional TA 6185. Manila.

9. **Knowledge-focused cooperation.** EBRD has collaborated with ADB, the Inter-American Development Bank, and the Islamic Development Bank on the public–private partnerships (PPP) knowledge lab. This is a web portal that organizes the best knowledge products available globally on PPPs and provides a comprehensive one-stop-shop resource.

10. **Secondment arrangements.** EBRD and ADB had no secondment arrangements between 2000 and 2014.

III. Level of Formalization of the Partnership

11. A memorandum of understanding (MOU) governed the partnership between ADB and EBRD (2011–2014). It superseded MOUs in the 1990s. The 2011 MOU stipulated that ADB and EBRD, as appropriate, would exchange views on lending strategies and screening of operational activities, and endeavor to support municipal and subsovereign investees in the transition to corporatization, greater private sector involvement, and development of transparent “arm’s length” relationships with administrative bodies. It also provided for liaison on policy dialogue with governments in preparing and enacting legislation to facilitate the implementation of PPPs and private and subsovereign investment, as well as on due diligence for cofinanced projects (Table 3).

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

General Memorandum of Understanding	
Scope	
Cofinancing	√
Information Sharing	√
Joint Analytical Work	√
Staff Exchange	
Other Purposes	
Country Priority	√
Sector Priority	
Programming	
Annual Programming	
Annual Report	
Focal Point	√
Role of Headquarters and Field Offices	
Dispute Resolution	Amicable
Intellectual Property	
Review and Evaluation	
Expiration Date	√
Work Program	
Results Framework	
Review Mechanism	
Total Number of Features	7

Source: ADB and EBRD. 2011. *Memorandum of Understanding between the Asian Development Bank and the European Bank for Reconstruction and Development*. Unpublished document.

IV. Assessment of the Partnership

12. The partnership between ADB and EBRD is very limited, even in Central and West Asia where EBRD has a considerable portfolio. As of 2014, the collaboration was confined to two countries—Armenia and Kazakhstan. The road project in Kazakhstan has a stretch of road being built by ADB and another by EBRD under parallel cofinancing. Coordination between ADB and EBRD is minimal as there are different contractors for the two road stretches. It is conceivable that EBRD would have funded both stretches if its program in Kazakhstan had more funds.

13. The limited cofinancing can be attributed to several reasons. EBRD has a riskier profile than ADB and, in practice, not many countries are held in common. ADB is viewed as having a different culture to EBRD. It is less bonus-driven and less transaction-oriented. ADB produces project completion reports (PCRs) that are oriented toward evaluating development effectiveness, whereas for a long time EBRD has focused on financial performance (only recently has there been more orientation towards effectiveness). EBRD's PCRs (known as credit reports) are not shared with the Board, nor with partners like ADB. EBRD is not seen as and is not aiming to become a knowledge bank. EBRD makes no investments in Uzbekistan, where ADB has a major portfolio. Although many of the shareholders of both institutions are the same they are seen as using different approaches. EBRD focuses on transition objectives, but ADB has a poverty reduction mandate. ADB is less comfortable than EBRD with non-sovereign lending to municipalities.

14. There have been frequent attempts to increase cofinancing between ADB and EBRD. Although EBRD has hosted many ADB missions, nothing substantial has come out of these missions. One notable example relates to the municipal framework in Kazakhstan to which ADB may contribute. EBRD is still interested in working with ADB and the EIB, as it feels itself to be a small player, and occasionally needs the infrastructure engineering capacity that ADB and EIB have in greater amounts to prepare and scrutinize project proposals (EBRD staff are mainly finance specialists and economists).

15. ADB is not part of the Mutual Reliance Initiative, whose members are EBRD, Agence Française de Développement (AFD), and the German Development Bank (KfW). This facilitates partnerships and cofinancing between the three. EIB is EBRD's biggest cofinancier, and is involved in 12–15 cofinanced projects. EIB has engineers on its staff, which EBRD does not have. Speculations on a possible merger between EIB and EBRD have been made for years.⁸ EBRD tries to partner more with the World Bank than with ADB, given the former's analytical ability and experience in policy lending. EBRD does not engage in policy lending, but it recognizes that it needs to support countries with policies and by strengthening institutions. Consequently, it draws on the strength of the World Bank in this area and on its intersecting country coverage in the region.

V. Conclusion and Future Directions

16. Opportunities for project-specific cofinancing between EBRD and ADB are likely to remain limited due to cultural differences between the two banks. EBRD is more comfortable than ADB with operations in transitional countries and with lending to municipalities. The extent to which their strengths complement each other appears less limited. Unlike EIB, EBRD is looking to attract funds from partners for its projects, not to supply funds to projects developed by partners. Nevertheless, with EBRD's increasing shift from a traditionally sector-driven orientation to a country focus, building country capacity and knowledge sharing and generation offer clear possibilities for strengthening future cooperation between EBRD and ADB.

⁸ Based on interviews with EBRD staff in June 2015.

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

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
ARM	Power Transmission Rehabilitation	Grant	10.9	37.0	Collaborative	31-Jul-14			Active
ARM	Power Transmission Rehabilitation	Loan	19.1	-	Collaborative	31-Jul-14			
KAZ	CAREC Corridor 3 (Shymkent-Tashkent Section) [Link to the Western Europe-Western People's Republic of China International Transit Corridor] Road Improvement	Loan	196.5	125.0	Collaborative	05-Oct-12			Active

ADB = Asian Development Bank, ARM = Armenia, CAREC = Central Asia Regional Economic Cooperation, EBRD = European Bank for Reconstruction and Development, KAZ = Kazakhstan, PCR = project completion report, PVR = project completion report validation report.

Source: Asian Development Bank.

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Table 1. ADB–EIB Partnership at a Glance

Partnership Indicators	2000–2004	2005–2009	2010–2014
Memorandum of Understanding		2007	
Framework Cofinancing Agreement		None	
Channel Financing Agreement		None	
Cofinancing Templates		None	
Knowledge Partnerships		None	
Staff Seconded			
• to ADB		0	
• from ADB		0	
Cofinancing: Loans and Grants (\$ million) ^a	0	0	1,299.6
Cofinancing: Technical Assistance (\$ million)	0	0	0

^a This refers to direct value-added cofinancing.

ADB = Asian Development Bank, EIB = European Investment Bank.

Sources: Office of Cofinancing Operations database; EIB. 2015. *Fact Sheet: EIB Financing in Asia*. Manila.

I. Background

1. The European Investment Bank (EIB) is the bank of the European Union (EU). Owned by 28 EU member states, its capital subscription is about €242.4 billion.¹ EIB is the largest multilateral borrower and lender in the world and is the only international financial institution that is politically accountable to EU policy makers and institutions.² It operates in 28 EU member states and in more than 130 countries outside the EU. It has a workforce of 2,300 staff, and a network of 30 local offices.³ Roughly 10% of its financing goes to projects outside the EU.⁴

2. EIB is an investment bank rather than a development bank like Asian Development Bank (ADB). It derives its funds mainly from the international capital market through bond issues.⁵ EIB's authority to lend to Asia began in 1993, when the EU Council approved the first external lending mandate for Asia and Latin America (€750 million for 3 years).⁶ The latest lending mandate for the period 2014–2020 authorizes EIB to lend €3.4 billion, broken down into €1.1 billion for Asia and €2.3 billion for Latin America.⁷ In addition, EIB in some cases provides loans from its own resources under the Climate Action and Environment Facility or under the Strategic Projects Facility, amounting to a combined total of €2 billion.⁸ These facilities offer extra opportunities for EIB to support energy and environmental projects of interest to the EU.

3. A separate external lending mandate exists for Africa, the Caribbean, and Pacific (ACP) countries. For the period 2014–2020, the ACP has an allocation of €2.5 billion for public sector projects in these regions, a grant envelope of €634 million for technical assistance (TA) and interest rate subsidies, and an additional €500 million for the ACP Investment Facility. This investment facility is a special revolving and risk-bearing fund for private sector investment.⁹

¹ EIB. 2013. *A Partner for the Eastern Neighborhood and Central Asia*. Luxembourg.

² EIB. 2015. *Fact Sheet: EIB Financing in Asia*. Luxembourg.

³ EIB. 2015. *The European Investment Bank at a Glance*. Luxembourg.

⁴ ADB. 2015. *ADB Official Cofinancing with the European Investment Bank*. Manila.

⁵ See Footnote 3.

⁶ Subsequent lending mandates from 1996 to 2014 authorized EIB to lend €7.7 billion to Asia and Latin America. EIB. 2015. *Fact Sheet: EIB Financing in Asia*. Luxembourg.

⁷ EIB. 2015. *Asia and Latin America*. Luxembourg.

⁸ See Footnote 2.

⁹ EIB. 2013. *European Investment Bank Welcomes New 7-Year Mandate for Supporting Investment in Africa, Caribbean, and Pacific Countries*. Luxembourg.

4. EIB has few country offices in Asia. Recently, it set up an office in Beijing, but this has no regional function. Additional offices in Delhi and Port Moresby, Papua New Guinea, are being considered.

5. EIB staff members visit Manila twice a year and review the list of projects prepared by ADB's Office of Cofinancing Operations. ADB staff members from cofinancing operations also visit EIB. This process has worked well and generated a valuable project pipeline. Currently, about 50% of EIB's lending operations in Asia and the Pacific are cofinanced with ADB.¹⁰ All cofinanced projects require EIB board approval and EIB due diligence, including a gap analysis of ADB's project preparation materials. Sometimes, EIB arranges a special mission if a gap is found. Generally, it fields at least one mission before project approval.

6. During the period 2010–2014, EIB cofinanced projects for road transport, power system expansion and efficiency improvement, clean energy, hydropower, water supply, and urban services. Its earliest direct value-added (DVA) cofinancing was to Viet Nam (2011) for the metro rail system in Hanoi, followed by an urban mass rapid transit line in Ho Chi Minh in 2012. Country coverage subsequently included Bangladesh, and then expanded to Armenia, India, Maldives, Mongolia, and Nepal. There has been no TA cofinancing with ADB.

II. Key Areas of Collaboration

7. **Project cofinancing.** Over the period 2000–2014, EIB cofinanced 11 projects with ADB using DVA cofinancing.¹¹ DVA cofinancing with ADB reached \$1.3 billion during 2010–2014 (Table 2).

8. Bangladesh was the biggest recipient of DVA cofinancing from EIB (30%). Other large recipients were Viet Nam (22%), India (19%), and Nepal (16%). The rest of DVA cofinancing (13%) went to Armenia, Maldives, and Mongolia. Cofinanced projects supported energy, road transport, water supply, and urban services. The cooperation is now extending its reach to new sectors, particularly education and seismic safety. ADB and EIB envisage parallel financing of the Armenia School Seismic Safety Improvement Project.

9. All EIB-cofinanced projects operate in a collaborative mode, except for the grant component of the Power System Expansion Project in Bangladesh, which is under ADB's full administration.¹² As of 2014, all cofinanced projects were active, with implementation generally on track. Given that the projects are still ongoing, a discussion of success ratings is not possible.

¹⁰ ADB. 2015. *ADB Official Cofinancing with the European Investment Bank*. Manila.

¹¹ The glossary of ADB's OCO defines DVA cofinancing as cofinancing with contractual obligations between ADB and a financing partner. ADB's obligations under contractual DVA 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.

¹² ADB. 2012. *Report and Recommendation of the President on a Proposed Multitranches Financing Facility and Administration of Grant: Power System Expansion and Efficiency Improvement Program in Bangladesh*. Manila.

Table 2. Evolution of ADB-EIB 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		0	0	1	50.0	1	50.0	50.0
	PRC	0	0	1	50.0	1	50.0	50.0
2005–2009		0	0	2	152.0	2	152.0	76.0
	India	0	0	1	100.0	1	100.0	100.0
	Lao PDR	0	0	1	52.0	1	52.0	52.0
2010–2014		11	1,299.6	0	0	11	1,299.6	118.1
	Armenia	1	79.2	0	0	1	79.2	79.2
	Bangladesh	3	394.0	0	0	3	394.0	131.3
	India	1	253.0	0	0	1	253.0	253.0
	Lao PDR	0	0	0	0	0	0	0
	Maldives	1	50.0	0	0	1	50.0	50.0
	Mongolia	1	28.4	0	0	1	28.4	28.4
	Nepal	2	205.0	0	0	2	205.0	102.5
	Viet Nam	2	290.0	0	0	2	290.0	145.0
2000–2014		11	1,299.6	3	202.0	14	1,501.6	107.3
	Armenia	1	79.2	0	0	1	79.2	79.2
	Bangladesh	3	394.0	0	0	3	394.0	131.3
	India	1	253.0	1	100.0	2	353.0	176.5
	Lao PDR	0	0	1	52.0	1	52.0	52.0
	Maldives	1	50.0	0	0	1	50.0	50.0
	Mongolia	1	28.4	0	0	1	28.4	28.4
	Nepal	2	205.0	0	0	2	205.0	102.5
	PRC	0	0	1	50.0	1	50.0	50.0
	Viet Nam	2	290.0	0	0	2	290.0	145.0

ADB = Asian Development Bank, DVA = direct value added, EIB = European Investment Bank, PDR = People's Democratic Republic, PRC = People's Republic of China.

Source: Office of Cofinancing Operations database.

10. **Secondment arrangements.** EIB and ADB had no secondments during the period 2000–2014. The memorandum of understanding (MOU) did not stipulate such arrangements.

III. Level of Formalization of the Partnership

11. A 5-year MOU governed the partnership between ADB and EIB (Table 3) from 2007 to 2012. Funding commitments were covered separately in individual agreements. The MOU was based on five guiding principles: (i) alignment of the areas of collaboration with the country strategies of both partners, (ii) a long-term approach to sustainable development, (iii) stakeholder participation, (iv) environmental and social sustainability, and (v) country ownership of investment programs. The collaboration supported private sector projects, public–private partnerships, and development of risk-mitigating financial instruments to foster growth and private investment in Asia and the Pacific. It also financed resilience to climate change, particularly in the field of renewable energy and energy efficiency.

12. Both ADB and EIB agreed to review the progress of activities under the MOU. The initial review was within 2 years from the MOU signing, followed by periodic reviews.

13. There are no strategy documents governing EIB's partnership with ADB. The collaboration has been ad hoc. Neither a framework cofinancing agreement nor an MOU has been regarded as essential to the good functioning of the collaboration. The MOU expired in 2012 without either party calling for its renewal.

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

General Memorandum of Understanding	
Scope	
Cofinancing	√
Information Sharing (projects and evaluation programs)	√
Joint Analytical Work	
Staff Exchange	
Other Purposes	
Country Priority	
Sector Priority	√
Programming	
Annual Programming	
Annual Report	
Focal Point	√
Role of Headquarters and Field Offices	
Dispute Resolution	Amicable resolution
Intellectual Property	
Review and Evaluation	
Expiration Date	√
Work Program	
Results Framework	
Review Mechanism	√
Total Number of Features	7

Source: ADB and EIB. 2007. *Memorandum of Understanding between the Asian Development Bank and European Investment Bank*. Manila and Luxembourg.

IV. Assessment of the Partnership

14. The partnership between EIB and ADB is working well. Existing collaborative arrangements are satisfactory, based on interviews conducted by the ADB mission with EIB staff in mid-2015. ADB delivers solid preparatory work. Moreover, its increasing number of country offices has boosted project supervision. EIB, on the other hand, provides an alternative debt diversification opportunity to borrowing countries. Some countries prefer euro-denominated debt while others prefer dollars.

15. Technical support from EIB and greater due diligence are valuable in improving competition and preventing many contracts from going to substandard companies.¹³ Building infrastructure first through ADB and EIB enables the private sector to invest in a country. EIB does not finance policy loans, but supports the financing requirements of small- and medium-sized enterprises.

16. EIB staff finds it advantageous to have a joint project preparation mission with staff of ADB and Agence Française de Développement because the varied expertise leads to improved preparation and encourages government authorities to give the project priority, as in the case of Bangladesh. ADB staff members noted that EIB seems to have good access to EU grant funds and facilities. In general, ADB finds it difficult to work with EU directly.

17. In relation to procurement, the ADB Board of Directors has granted a waiver for joint cofinancing to include all EU countries in the open procurement arrangement and as a result, collaboration has become smoother. This has led countries such as Poland to bid for work under

¹³ Based on interviews with EIB staff in June 2015.

projects administered by ADB under collaborative arrangements. With EIB cofinancing, EIB believes that more European companies will trust the arrangements enough to bid for projects in Asia.

18. The responses to a questionnaire survey conducted by Independent Evaluation at ADB in 2015 indicated that four of five EIB respondents had experienced a highly satisfactory relationship with ADB.¹⁴ One respondent felt that the relationship had been satisfactory. When asked to identify areas where ADB added value, they ranked financing, project development capabilities, and project supervision during implementation among their top three responses.

19. One downside of the partnership is EIB's dependence on ADB to monitor progress of cofinanced projects. ADB supervision may not be adequate at times. EIB finds it convenient though for ADB to take the lead in enforcing safeguards, an area that matters to EIB. ADB has country offices that can take care of day-to-day interaction with executing agencies.

20. In relation to problem areas, one of five EIB survey respondents indicated that ADB's business processes tend to be complex and time-consuming. A respondent also felt that the preparation of an aide memoire for each cofinanced project, as required by ADB, is time-consuming for both partners. A solution could perhaps be found to avoid preparing the aide memoire for each project, according to a respondent. Aides memoire for project agreements can sometimes take months to complete.

21. On the part of ADB, a survey respondent stated that EIB adds value mainly in terms of financing.¹⁵ The respondent felt, however, that the signing of the EIB loan tends to be slow and cumbersome. This is partly due to the time it takes for borrowers to sign. The financing contract between EIB and the government needs to be negotiated fully, including all financing and safeguards issues. In terms of loan disbursement, EIB uses a different disbursement method to ADB, similar to an imprest account. It requires loan disbursement to be done as quickly as possible, which tends to be difficult in the case of large-scale infrastructure investments. The respondent also noted that with the recent euro devaluation, projects have shifted from being fully funded to having a funding gap as EIB loans are denominated in euro, but project costs are denominated in dollars. Recently, EIB has indicated that it is open to denominating its loans in US dollars, if necessary, to eliminate the currency risk.

V. Conclusions and Future Directions

22. Overall, the partnership between ADB and EIB is satisfactory, marked by complementarity that draws on each other's strengths. EIB offers project financing, technical expertise, and knowledge of EU policies that speeds up identification of eligible projects. It also exercises due diligence in project appraisal. ADB, on the other hand, provides project preparation expertise, project supervision through its various country offices in Asia, access to policy makers in Asia and the Pacific, and compliance checks for safeguards.

23. Areas for further improving the partnership exist, nevertheless, based on staff responses to a recent survey and on interviews conducted by ADB. For ADB, there is a need to (i) reduce cumbersome business processes, (ii) simplify the preparation of project aides memoire, (iii) coordinate better with EIB's compliance officers, and (iv) enter into secondment arrangements to improve project supervision and networking. For EIB, it can look into alternative ways to make EIB loan signing and loan disbursement more efficient.

24. **Areas for future development cooperation.** EIB considers climate change mitigation and adaptation to be a top priority in Asia. Other priorities cover the development of social and economic

¹⁴ There were five respondents from EIB.

¹⁵ There was one survey respondent from ADB.

infrastructure, including water and sanitation, and local private sector development, particularly support to small- and medium-sized enterprises.¹⁶ In relation to climate-related action, EIB has developed a strategy around four core objectives: (i) provide climate finance solutions for both mitigation and adaptation projects; (ii) catalyze private financial sector flows using EIB financial leverage and capacity to innovate; (iii) integrate climate considerations across activities and practices; and (iv) engage constructively with external stakeholders in climate financing, harmonization of appraisal and reporting approaches, and climate finance tracking.

25. In this light, opportunities for further cooperation between EIB and ADB appear promising. Both EIB and ADB have an interest in climate change mitigation and adaptation, infrastructure, and private sector development. ADB's strategic priorities for 2014–2020, as stated in its midterm review of Strategy 2020,¹⁷ underscored the need to scale up efforts in these strategic areas.

26. Many Asian countries are eligible for financing under EIB's latest external lending mandate (2014–2020). These are Bangladesh, Bhutan, Brunei, Cambodia, India, Indonesia, Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, the People's Republic of China, Philippines, Sri Lanka, Thailand, and Viet Nam. Countries in Central Asia and in the Pacific are also eligible for EIB financing. Such a broad list of priority countries, backed up by substantial EIB funds, offers a relatively wide latitude for financing the needs of ADB's member countries and for strengthening future cooperation.

¹⁶ EIB. 2015. *EIB Financing in Asia*. Luxembourg.

¹⁷ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific*. Manila.

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

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
ARM	North South Road Corridor Investment Program – Tranche 3	Loan	79.2	100.0	Collaborative	27-Sep-13			Active
BAN	Power System Expansion and Efficiency Improvement Investment Program – Tranche 1	Loan	91.0	185.0	Collaborative	12-Dec-12			Active
BAN	Power System Expansion and Efficiency Improvement Investment Program – Tranche 1 (Supplementary)	Loan	21.0	-	Collaborative	19-Feb-14			Active
BAN	Power System Expansion and Efficiency Improvement Investment Program – Tranche 1	Grant	7.0	-	Full Administration	12-Dec-12			Active
BAN	South Asia Subregional Economic Cooperation Railway Connectivity: Akhaura-Laksam Double Track	Loan	175.0	505.0	Collaborative	30-Sep-14			Active
BAN	Dhaka Environmentally Sustainable Water Supply	Loan	100.0	-	Collaborative	22-Oct-13			Active
IND	Clean Energy Finance Investment Program – Tranche 1	Loan	253.0	200.0	Collaborative	10-Dec-14			Active
MLD	Preparing Outer Islands for Sustainable Energy Development	Loan	50.0	-	Collaborative	29-Sep-14			Active
MON	Ulaanbaatar Urban Services and Ger Areas Development Investment Program – Tranche 1	Loan	28.4	22.5	Collaborative	12-Dec-13			Active
NEP	Tanahu Hydropower	Loan	70.0	30.0	Collaborative	21-Feb-13			Active
NEP	Tanahu Hydropower	Loan	15.0	-	Collaborative	18-Jul-14			Active
NEP	South Asia Subregional Economic Cooperation Power System Expansion	Loan	120.0	-	Collaborative	04-Jul-14			Active
VIE	Ha Noi Metro Rail System (Line 3: Nhon-Ha Noi Station Section)	Loan	95.0	-	Collaborative	29-Mar-11			Active
VIE	Ho Chi Minh City Urban Mass Rapid Transit Line 2 Investment Program – Tranche 2	Loan	195.0	-	Collaborative	27-Nov-12			Active

ADB = Asian Development Bank, ARM = Armenia, BAN = Bangladesh, EIB = European Investment Bank, IND = India, MLD = Maldives, MON = Mongolia, NEP = Nepal, PCR = project completion report, PVR = project completion report validation report, VIE = Viet Nam.

Source: Asian Development Bank.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Development Partner Case Study

Table 1. ADB–IFAD Partnership at a Glance

Partnership Indicators	2000–2004	2005–2009	2010–2014
Memorandum of Understanding			2013
Framework Cofinancing Agreement			2014
Cofinancing Templates			Yes
Knowledge Partnerships			
Staff Seconded			
• to ADB	0	0	0
• from ADB	0	0	0
Cofinancing: Loans and Grants (\$ million)	15	53	100
Cofinancing: Technical Assistance (\$ million)	0	0.4	0.5

ADB = Asian Development Bank, IFAD = International Fund for Agricultural Development.

Source: ADB Office of Cofinancing database.

I. Background

1. The International Fund for Agricultural Development (IFAD), a specialized agency of the United Nations, was established as an international financial institution in 1977 following the 1974 World Food Conference to finance agricultural development projects. It was a response to the food crises of the early 1970s that primarily affected the Sahel countries of Africa. IFAD has 173 members drawn from Organization for Economic Co-operation and Development (OECD) countries, Organization of Petroleum Exporting Countries (OPEC) countries, and developing and middle-income countries.¹ As of 31 December 2014, it worked in 99 countries, including 20 in Asia and the Pacific, and had committed over \$16 billion of its own financing and \$23 billion in cofinancing and funding from domestic sources.

2. IFAD operations focus on smallholder farmers and promote rural development, nutrition, adoption of climate-resistant crops, inclusive rural finance (savings, payments, insurance and remittance systems), business development, and institution-building at the community and government level. IFAD was established as a financing organization, not an implementing organization. In the past, due also to IFAD's limited country presence, project administration supervision was delegated to the United Nations Office for Project Services (UNOPS) and other partners, including Asian Development Bank (ADB). With a growing staff of about 500 and increasing decentralization, in 2007 IFAD began a shift towards direct project supervision.

3. The first cooperation agreement between IFAD and ADB dates back to 1978. During 1977–1992 ADB administered \$406 million for 31 projects, including 10 projects exclusively financed by IFAD. Working arrangements were refined in a 1994 memorandum of understanding (MOU) that promoted closer collaboration at the country programming and project appraisal stage. A new MOU dated 9 August 2013 commits the two institutions to make joint efforts within their respective mandates to deliver coordinated and consistent services to member countries in a cost-effective and efficient manner. The MOU includes provisions for information sharing, collaboration in research and knowledge, staff exchanges and secondments, financing of projects, and harmonization of design and implementation processes.

¹ Most funds are generated through replenishments every 3 years, where group A (OECD members); group B (OPEC members) and group C (developing countries) contribute according to their economic size. Membership by 12 OPEC countries is the result of concerns over the impact of the 1973 oil crisis and related oil price increases on developing countries and on food security. OPEC countries indicated their willingness to contribute some of their increased earnings from oil price increases through an international institution that would channel the funds to agriculture and rural development. Some developing countries (Bangladesh, India, Indonesia, Pakistan, and Sri Lanka) make sizeable contributions to the fund. The 2016–2018 replenishment raised about \$1.4 billion. Combined with \$2 billion of reflows during the period that will generate annual lending of about \$1 billion from IFAD resources.

II. Key Areas of Collaboration

4. Between 2000 and 2014 IFAD cofinanced 10 projects with ADB, totaling \$168 million in loans and grants focused on rural infrastructure and livelihoods in Bangladesh, Cambodia, Lao People's Democratic Republic (PDR), Pakistan, and the Philippines, and three technical assistance (TA) projects for \$900,000. Bangladesh received more than half of the funds (\$92 million) for small-scale water projects and coastal infrastructure, followed by Lao PDR (\$28 million) for livestock development and agricultural productivity improvement, the Philippines (\$20 million) for integrated natural resources and environmental management, Pakistan, and Cambodia.

5. ADB and IFAD have very complementary approaches to rural development and food security. While ADB tends to focus on larger infrastructure requirements, IFAD components are aimed at grassroots action with smallholders and community organizations to facilitate the planning of small-scale investment, community organization to implement and manage these investments, and training and capacity building to ensure long-term sustainability. IFAD project components are geared toward livelihood activities and development of new or improved crops and of smallholders' capacity to connect to markets. When applied together, these approaches ensure the inclusiveness of the related ADB investments. A second source of complementarity comes from ADB's stronger presence on the ground, which has favored arrangements whereby ADB acts as cooperating institution and administer IFAD funds for a modest fee of 0.1% of disbursements.

6. As Table 2 shows, since 2000 there has been an increase in the number and amount of joint projects. While in the first decade of the century all projects were fully or partly administered by ADB, since 2012 all operations in Bangladesh and Lao PDR have been on the basis of collaborative cofinancing, and only a project in the Philippines has been delegated to ADB for partial administration. There are two reasons behind this shift. In general terms, as IFAD increased its presence on the ground through field offices, it also assumed administration responsibility.² The second reason is IFAD's dissatisfaction with the pace of the disbursement of its component of some joint projects.³

Table 2. Evolution of ADB-IFAD Cofinancing

Period	Countries	Full or Partial Administration		Collaborative Cofinancing		Total Cofinancing		Average Project Size (\$ million)
		No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	No. of Projects	Amount (\$ million)	
2000–2004	1	1	15	0	0	1	15	15
2005–2009	3	5	53	0	0	5	53	11
2010–2014	3	2	30	2	70	4	100	25
2000–2014	5	8	98	2	70	10	168	17

ADB = Asian Development Bank, IFAD = International Fund for Agricultural Development.

Source: Office of Cofinancing database.

7. Both field staff from the IFAD office in Bangladesh and headquarters staff from the Asia Division mentioned during interviews that in the last few years they have observed that the ADB component of joint projects has been disbursing more quickly, and said that they have complained about this fact to ADB. According to ADB resident mission staff in Bangladesh the reason for the different pace lay in the different nature of the two components, with IFAD activities being small-scale grassroots interventions with a longer gestation time compared to ADB infrastructure investment. A second justification was that the IFAD component was approved and started implementation after the ADB component. Similar comments were made with regard to a project in Cambodia. While IFAD

² In mid-2015 IFAD had 11 country offices in Asia-Pacific, in Bangladesh, Fiji, India, Indonesia, Lao PDR, Nepal, Pakistan, People's Republic of China, Philippines, Sri Lanka and Vietnam. Of these, six had a single officer, and the remaining five had between two and four officers.

³ ADB. 2009. *Loan to Bangladesh for Participatory Small-Scale Water Resources Sector and Grant to Cambodia for Tonle Sap Poverty Reduction and Smallholder Development*. Manila.

confirmed that ADB responded to this dissatisfaction by prioritizing IFAD disbursements, this led IFAD to consider own administration for subsequent operations.

8. Cooperation on TA operations has been limited, totaling \$900,000 for three projects between 2000 and 2014,⁴ even though according to IFAD's policy, international financial institutions are eligible partners for implementing grant-financed activities, along with developing member states, United Nations agencies, civil society organizations (CSOs) and even for-profit private sector entities. IFAD uses its own grant resources for both global and regional projects and country-specific ones. Grant resources are used to promote innovative activities and technologies, create opportunities for awareness and policy dialogue, strengthen the capacity of partner institutions to deliver services to poor rural people, and develop and disseminate knowledge on issues related to rural poverty. The desired size of the grant program is 6.5 % of IFAD's annual work program, with the majority (5%) going to global and regional operations, and the remaining 1.5% to country-specific projects.⁵ Since its foundation, IFAD has committed approximately \$919 million in grants to support research and capacity building programs.⁶

9. Collaboration in knowledge activities not directly related to project design or implementation has also been very limited. IFAD and ADB signed a partnership framework with the Food and Agriculture Organization for food security in Asia and the Pacific in 2010 to support countries in the region to achieve food security through increased availability of, access to, and utilization of adequate, safe and nutritious food by the poor and vulnerable.⁷ The agreement aimed initially at developing country food security partnership frameworks for Bangladesh, India, Lao PDR, and the People's Republic of China (PRC). Collaborative efforts were to focus on harmonization of cross-border and regional investment, stronger collaboration in prioritized agriculture research, support to enhance food trade, and sharing of lessons and good practices to enhance household food security. A Food Security Investment Forum was held in Manila on 7 to 9 July 2010. No other knowledge activities of note have taken place between the two institutions.

10. Provisions for staff exchanges or secondment were only explicitly mentioned in the 2013 MOU and have not been implemented to date.⁸

III. Level of Formalization of the Partnership

11. The framework for collaboration between IFAD and ADB has been recently formalized more rigorously through an MOU in 2013 and a corresponding framework cofinancing agreement (FCA) in 2014. The groundwork had been laid in a 1978 Cooperation Agreement and a 1994 MOU on working arrangements. Both the 1978 and 1994 agreements were very focused on project identification, appraisal, and administration, based on the IFAD model of using other organizations under contractual arrangements as cooperating institutions to complement IFAD's role and lean structure as a financing organization.

12. The 2013 MOU broadened the potential scope of the partnership considerably, to include information sharing on lessons learned, scaling-up of successful pilots, collaboration on research and knowledge, staff exchanges and secondments, coordination of regional and country operations, and harmonization of project design and implementation processes.

⁴ Regional TAs 6357 *Central Asian Countries Initiative for Land Management Multi-Country Partnership Framework Support Project*, for \$200,000 in 2006, 6324 *Expansion of Subregional Cooperation in the Agriculture Sector in the Greater Mekong Subregion*, for \$200,000 in 2007, and TA 7762 in Nepal for \$500,000 for *Preparation of the Agricultural Development Strategy*.

⁵ IFAD. 2011. *Procedures for Financing from the Grants Programme*. Rome.

⁶ IFAD Website, Grants Operating Model. <http://www.ifad.org/operations/grants/index.htm>

⁷ ADB. IFAD. FAO. 2010. *Asia and the Pacific Regional Food Security Partnership Framework*.

⁸ Section 9.02 of the 1978 *Cooperation Agreement between IFAD and ADB* mentions in passing the possibility of ADB staff seconded to IFAD among the miscellaneous arrangements.

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

Memorandum of Understanding		Framework Cofinancing Agreement	
Scope			
Cofinancing	√	Cofinancing targets	Not defined
Knowledge and research	√		
Joint Analytical Work	√		
Staff Exchange	√	Cofinancing templates	√
Other Purposes		Collaborative template	√
Country Priority	No	Country priority	√
Sector Priority	√	Sector priority	Not explicit
Programming			
Annual Programming	√	Annual programming	
Annual Report	No		
Focal Point	SPD	Focal point	OCO
Role of HQ and Field Offices	Not specified		
Dispute Resolution	Amicable resolution	Dispute resolution	Constructive engagement and negotiation
Intellectual Property	No provisions		
Review and evaluation			
Expiration Date	No	Expiration date	3 years
Work Program	Not in MOU		
Results Framework	No		
Review Mechanism	No	Review mechanism	Not specified
Total Number of Features	8	Total number of features	6

ADB = Asian Development Bank, HQ = headquarters, IFAD = International Fund for Agriculture Development, OCO = Office of Cofinancing Operations, SPD = Strategy and Policy Department.

Sources: ADB. IFAD. 2013. *Memorandum of Understanding Between the Asian Development Bank and the International Fund for Agricultural Development* and; 2013 *Framework Cofinancing Agreement between the International Fund for Agricultural Development and the Asian Development Bank*. Manila and Rome.

13. In spite of its broader scope, the 2013 MOU is also strongly geared to collaboration at the project level. It mentions joint knowledge activities but is silent on intellectual property rights arrangements. It is open-ended in terms of the work program and the expiration date, and does not include a results framework or review mechanism. The 2014 FCA has a 3-year expiration date, but no explicit goal in terms of number of amount of cofinanced operations during this period. It envisages three main types of collaboration. The first two, defined contractual cofinancing, entail ADB administration of IFAD funds for either separate components of a project (parallel cofinancing) or the same components and related contracts (joint cofinancing). The third type, defined collaborative cofinancing, is based on each organization administering its component of a joint project, with ADB not providing any administration services to IFAD.

14. The MOU foresees annual coordination meetings, which have taken place regularly. Interestingly, the 2015 annual retreat was led by ADB's Sustainable Development and Climate Change Department (SDCC) with the attendance of regional departments, and did not include representation from either of the focal points for the MOU (Strategy and Policy Department) or framework cofinancing agreement (Office of Cofinancing Operations). IFAD's Near East, North Africa, Europe and Central Asia Division (which has programs in seven ADB developing member countries, where additional cooperation possibilities may exist—Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, and Uzbekistan) did not attend the meeting either. The meeting focused briefly on a reciprocal update, reviewed the joint portfolio currently under implementation in considerable depth, and examined specific possibilities for future collaboration on projects in 13 countries. Meeting minutes are prepared and shared between the two institutions.

IV. Assessment of the Partnership

15. The institutional framework for partnership between IFAD and ADB is sufficiently developed, with a general MOU, an FCA, and templates for both contractual and collaborative financing partnerships. The 2013 MOU is the third in a series of agreements that started in 1978 and was reconfirmed in 1994. A closer analysis of these documents, however, shows that the relationship has continued to focus rather narrowly and pragmatically on project cofinancing and administration. The MOU does not include references to a specific or medium-term work program, does not foresee any reporting on the progress of the partnership, has no results framework, no expiration date, and no review mechanism. The 2014 FCA is complete with templates for all types of cofinancing arrangements and has a 3-year expiration date, but does not include any indication of the desired amount of cofinancing to be pursued during that period, explicit sector priorities, review criteria, or mechanisms to be applied at the end of its rather short duration.

16. Collaboration on research and knowledge and staff exchanges and secondments are mentioned as possible areas of cooperation, but so far they have not received attention. Within ADB, SDCC organized the most recent business planning meeting, held on 12 June 2015 in Rome, but the only non-operational issue recorded in the meeting minutes was to a regional conference which IFAD would organize in October 2015 and that ADB may attend. No member of IFAD's Strategy and Knowledge Department took part in the meeting, and 10 out of 11 IFAD staff were from the Programme Management Department, Asia and Pacific Division. Further confirming the marginal consideration of knowledge activities, the 2013 MOU contains no explicit mention of how intellectual property rights or copyrights would be handled in the case of jointly produced research or publications.

17. The above observations should not be taken as a criticism of the partnership, which has evolved in line with the genuine interests of both partners. They merely support the assessment that the main focus of cooperation so far has been on project-specific collaboration and cofinancing. An indirect result of this cooperation has been the mutual learning on approaches to agriculture and food security projects, and on systems and procedures. ADB staff interviewed confirm that IFAD has significant skills and capacity to design community-based and grassroots approaches to rural development projects. IFAD staff indicated that their organization has applied many ADB concepts and procedures in the preparation of legal documents, project administration, procurement, and financial management, which are now reflected in its own project implementation guidelines and manuals.

18. As mentioned above, complementarity between the two organizations is strong at the project level. Typically, in a common project (whether jointly funded or financed in parallel) ADB invests in larger infrastructure, and IFAD provides services and smaller investment, training, grassroots support, and the community organization that connect the rural poor to markets. ADB project components gain inclusiveness and sustainability through IFAD's ability to target marginalized populations in remote areas and to promote rural smallholders' access to markets and to higher rungs of the value chain. IFAD components gain in scale and impact thanks to ADB's capacity to scale up successful approaches. With ADB's midterm review of Strategy 2020⁹ placing an increased emphasis on food security, the potential for continuing and meaningful partnership is strong.

19. This assessment is confirmed by the results of the perception survey conducted by the Independent Evaluation Department (Table 4). Seven IFAD staff replied to the survey, nearly all of whom expressed high satisfaction with the partnership. The greatest area of ADB value addition was identified as financing, chosen by 86% of respondents, followed by sector knowledge and innovation and access to policy makers and policy dialogue. IFAD respondents suggested that the partnership should be expanded in the areas of project identification and access to policy makers and policy

⁹ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

dialogue. Nearly all respondents pointed out that ADB procedures can be rigid and inflexible and cause delays.

Table 4. Perceptions of the ADB-IFAD Partnership

Question	IFAD rating of ADB	ADB rating of IFAD
Experience Working in Partnership		
• Highly Satisfactory	71%	
• Satisfactory	29%	100%
• Less than Satisfactory		
• Unsatisfactory		
Value Added by Partnership		
• Financing	86%	100%
• Project Identification	43%	25%
• Project Development	43%	50%
• Project Supervision	43%	50%
• Knowledge and Innovation	57%	100%
• Access to Policy Makers and Policy Dialogue	57%	
Areas for Future Partnership Development		
• Financing	-	
• Project Identification	29%	25%
• Project Development	-	25%
• Project Supervision	14%	
• Knowledge and Innovation	14%	
• Access to Policy Makers and Policy Dialogue	29%	25%
Problem Areas in the Partnership		
• Partner's Procedures	86%	100%
• Partner's Staff	14%	25%
• Cost of Partner's Financing	14%	

ADB = Asian Development Bank, IFAD = International Fund for Agricultural Development.

Source: Independent Evaluation Department.

20. All four of ADB respondents had been involved with IFAD at the project level. They found the partnership satisfactory, and identified additional financing and knowledge applied to project design as the strongest value additions by IFAD. One ADB staff member commented that IFAD's pro-poor approach complemented ADB assistance well. Looking at the future, respondents saw collaboration at the project level and policy dialogue as the most promising areas for further engagement. The richest feedback in the survey came from replies to partnership problem areas. Financial management, administrative arrangements, and ambiguity towards the type of cooperation (parallel cofinancing compared to ADB administration) were identified as the areas of concern (Box 1).

Box 1: Feedback on ADB-IFAD Partnership

Both the Asian Development Bank (ADB) and International Fund for Agriculture Development (IFAD) staff indicated that they highly value the complementarity of the two institutions. IFAD has a strong pro-poor, smallholders focus and ADB provides much needed rural infrastructure. A number of practical administrative, financial, and attitude problems in the relationship emerged from the surveys. If these are addressed through open-minded dialogue they could revitalize the cooperation. Most staff from both institutions felt that procedural arrangements were rigid and not sufficiently harmonized. More specifically:

IFAD respondents

- ADB processes take a long time and undermine the implementation
- Timing, quality/focus of ADB reports and audits does not meet IFAD requirements
- ADB's timeline differs from IFAD's
- There are procedural differences between the two institutions
- ADB procedures are not very flexible-unnecessary delays could be avoided
- Better communication on common initiatives is needed
- Preferential disbursement of ADB funds in cofinanced projects administered by ADB as a cooperating institution

ADB respondents

- IFAD is very pro-poor and complements ADB very well. However, implementation and collaboration procedures should be made very clear in the project design. For joint projects IFAD should not conduct its own review mission, and should instead join ADB as mission members. Separate missions fielded by IFAD have caused some confusion in the executing agencies and implementing agencies.
- The IFAD funding was partially administered by ADB, with withdrawal applications sent by the government to ADB. ADB forwards these to IFAD for disbursement after it is satisfied with the review. This process takes time and has delayed disbursement of IFAD funds.
- It is difficult for ADB to monitor actual expenditures since these are made directly from IFAD, although ADB is administering the project.
- IFAD's insistence on having parallel financing arrangements adds unnecessary complexity to project implementation. If the IFAD and ADB resources could be merged, project implementation would be much easier.
- It could have been better if the cofinancing arrangements were either fully administered by ADB or on a parallel basis.
- IFAD provides its grants in special drawing rights (SDR), but ADB can administer the IFAD grant only in US dollars. There are discrepancies in the IFAD grant amount due to fluctuations in the US dollar and SDR exchange rate.
- IFAD staff seems to change too often, which has caused some confusion.
- As with other large organizations, including ADB, a great deal of the success of the partnership depends upon the people involved. Recently a change of personnel at IFAD has negatively affected the good progress made over a period of several years. However, we understand that IFAD is taking steps to rectify the situation.

Source: Independent Evaluation Department.

21. A review of IFAD's strategy for Asia and the Pacific concluded in 2006 that IFAD had made very limited efforts in the last decade to engage ADB and that cooperation between 1996 and 2005 had not evolved.¹⁰ The evaluation noted that at the time ADB was the largest funding partner in Asia, accounting for two-thirds of IFAD cofinancing with international financial institutions in Asia and the Pacific, and for more than a quarter of all cofinancing for IFAD projects in the region. ADB's role was considerably less prominent in terms of project supervision: 83% of projects in the region were administered by UNOPS, 8% by the World Bank and 6% by ADB, in spite of ADB and UNOPS supervision reports being of a comparable quality and ADB charging much lower fees. The evaluation often uses

¹⁰ IFAD. Office of Evaluation. *2006 Evaluation of IFAD's Regional Strategy for Asia and the Pacific*. Rome.

ADB benchmarks to assess the speed, efficiency, and effectiveness of IFAD projects in the region, and mentions a number of opportunities for closer cooperation that were missed.

22. Interviews conducted to prepare this report and a detailed analysis of IFAD documents help shed some light on the reasons behind this stalled cooperation. In the first place, in 2006 IFAD's Executive Board adopted a policy aimed at strengthening field presence on a pilot basis, while at the same time emphasizing direct supervision and implementation of IFAD projects. A "cooling off" of delegated supervisory arrangements has therefore been common to all IFAD partnerships, including those with United Nations organizations, the World Bank, and other institutions. Second, IFAD had limited field presence, which made it more difficult to coordinate with other agencies, such as ADB, that were strongly promoting decentralization of country programming decisions. Third, the generalized increase in sector-wide approaches adopted by other development partners made it more difficult for IFAD to engage in time-intensive coordinated approaches at the country level, since it did not have local representation. Fourth, definitional differences removed some of the incentives to cofinancing. Although IFAD has a policy requiring 25% cofinancing (i.e., mobilization of 25 cents for every dollar of IFAD resources), its definition of cofinancing is different from those at other institutions. IFAD counts government counterpart funds and beneficiaries' contributions as cofinancing, but does not include projects designed in collaboration but implemented separately. ADB, on the other hand, includes collaborative cofinancing in its statistics but disregards government and beneficiaries' share of project costs. As a result, even in light of declining government contributions, IFAD staff had limited incentives to pursue collaborative cofinancing when processing projects.¹¹ With regard to project implementation supervision, which had been the cornerstone of earlier collaboration, IFAD's direct implementation policy had resulted in limited delegation of project administration functions starting in 2007.

23. Interviews and survey replies indicated that IFAD staff and management appreciate the professional and competent approach that ADB brings to project design and management and the scale of ADB financing. In a number of cases, however, IFAD staff found that ADB was too rigid; that project administration was not timely, especially regarding the disbursement of IFAD components; and that communication left something to be desired. The perception was that ADB was willing to cooperate on projects, but was not as active in following up and sharing information once the project had been approved, or completed.

V. Conclusions and Future Directions

24. ADB and IFAD have collaborated for 37 years in cofinancing more than 30 projects. ADB has administered a number of IFAD or joint projects during the same period as a cooperating institution. The relationship is guided by a solid institutional framework, including a recently updated MOU, FCA, and agreed upon templates to document and regulate project level cooperation.

25. There is significant complementarity between the approaches of the two institutions, which can be beneficial to both organizations and to project target populations. ADB can contribute the larger scale infrastructure and financing that allows IFAD's outreach to smallholders and marginalized communities to make the connection to markets and opportunities. IFAD can provide a "last mile" connection that makes ADB's rural development projects truly inclusive.

26. Cooperation has been almost exclusively limited to project cofinancing and administration, in spite of broader possibilities foreseen in the 2013 MOU to engage in knowledge collaboration, including staff exchanges. The lean nature of both IFAD and ADB relative to the size of operations they manage, and IFAD's smaller focus on Asia and the Pacific (which represented one third of IFAD's total portfolio at the end 2014) and ADB's limited focus on agriculture (which represented about 3% of ADB

¹¹ Governments' share of IFAD project costs declined from 45% in 1978–1995 to 23% in 1996–2001 and 19% in 2002–2005 (IFAD. Office of Evaluation. 2006 *Evaluation of IFAD's Regional Strategy for Asia and the Pacific*. Rome. para 230).

lending during the last decade) help to explain why both organizations have been pragmatically focused on project level cooperation.¹²

27. Looking at the future, the potential for continuing and enhancing cooperation remains strong. ADB's mid-term review of its Strategy 2020 committed the organization to expanding operations in support of agriculture and natural resources seven-fold by adding \$2 billion in new funding annually to (i) increase the productivity of agriculture and strengthen links with global value chains and food systems, (ii) improve farm-to-market connectivity through transport and communication investments, (iii) promote food safety and quality standards, and (iv) improve the resilience of agriculture and natural resources to the impacts of disasters and climate change. IFAD's latest strategic framework focuses on the livelihoods and food security of poor rural people and on small-scale agriculture as a source of income, nutrition, and rural economic growth. It emphasizes targeting the rural poor, gender equality and women's empowerment, and innovation. It identifies climate change adaptation and mitigation, improved agricultural technologies and effective productive services, inclusive access to finance, integration of poor rural people in value chains and rural enterprise development as the areas of direct relevance to its mandate and comparative advantage.¹³ Similar priorities are likely to feature in the next strategic framework.

28. At a minimum, cooperation at the project level should continue. Stronger IFAD country presence could complement the annual consultations that take place at the organizations' headquarters and ADB should contact local IFAD offices during country programming missions more systematically. The proposed hosting of the IFAD Philippines country office at ADB headquarters would further enhance the opportunities for dialogue and cooperation.

29. To strengthen project-level cooperation, a few additional measures would be helpful:

- A review of current disbursement arrangements should be carried out to ensure that existing and planned projects properly address IFAD's concern about the pace of implementation of their project components.
- IFAD's Near East, North Africa, Europe and Central Asia Division, which has programs in seven ADB developing member countries where additional cooperation possibilities may exist (Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan and Uzbekistan), should participate in the annual ADB and IFAD business planning meeting.
- An open discussion should take place on the preferred modes of cooperation, i.e., the extent to which both ADB and IFAD prefer to pursue joint or parallel project design and implementation. Topics to be addressed could include:
 - the different definition of cofinancing by the two institutions. At the moment joint projects count for both organizations, whereas parallel projects do not meet IFAD's criteria for cofinancing;¹⁴
 - stronger IFAD involvement in the design and supervision of joint projects;
 - IFAD's future plans for project administration, and the extent to which it will still rely on cooperating institutions such as ADB; and
 - fees charged by ADB for project administration—ADB may decide to maintain the current low level to encourage cooperation, but otherwise a fee of 0.1% of disbursements seems insufficient to cover administration costs, and is considerably lower than the fees other organizations such as UNOPS currently charge IFAD.

¹² At the end of 2014, countries in Asia and the Pacific accounted for \$1.8 billion for 56 projects in 20 countries out of a total IFAD portfolio of \$5.4 billion. ADB lending to agriculture during 2003–2012 amounted to \$2.7 billion out of a total portfolio of \$102 billion. Sources: IFAD. 2015. *Annual Report 2014*. Rome and ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and the Pacific*. Manila.

¹³ IFAD. 2011. *IFAD Strategic Framework 2011–2015*. Rome.

¹⁴ IFAD has recently reduced its cofinancing target from 1.6 times to 1.2 times its own funds. According to the Asia and Pacific division, in the Asia and Pacific region the cofinancing ratio is 1.85.

30. Knowledge cooperation has mostly taken the form of interaction at the stage of project design and implementation. A joint analysis or evaluation of cofinanced projects, drawing out lessons for future collaboration, would be a possible knowledge product with a strong link to field activities. ADB and IFAD have so far cooperated on over 30 projects, and a systematic assessment of success and failure factors and lessons learned could provide a strong base for future operations. Such an analysis could also suggest areas where the two organizations may wish to undertake further joint analysis or development of knowledge activities.

31. The institutional framework for the ADB-IFAD partnership has some minor flaws but is recent and provides sufficient structure for cooperation. Based on interviews and the perception survey, the past experience of partnership has been satisfactory, and both institutions appreciate what the other brings to the relationship. Given ADB's renewed interest in agriculture, natural resources management and food security, the potential for reinvigorating the relationship on the basis of a clearer understanding of reciprocal objectives and limitations is quite strong and could be exploited.

Partnership Arrangements and Activities at IFAD

1. The International Fund for Agricultural Development (IFAD) has a very active partnership portfolio. Its website lists 103 cofinancing sources, and provides examples of partnerships with nongovernment organizations (NGOs), farmers' organizations, private companies and foundations, knowledge networks and platforms, and United Nations (UN) organizations. Of the 103 cofinancing partnerships, nearly half (46%) have been active after 2005 and about a fourth (27%) have been very active, with 10 or more operations during 1978–2014. The majority of active partnerships (23) are with bilateral funding sources and the European Union, followed by multilateral development banks and funds (15), NGOs (5) and UN organizations (4).

2. IFAD places strong emphasis on its relationship with member governments and the beneficiaries of its operations. For this reason, its definition of cofinancing includes government counterpart funds and beneficiaries' contributions. These domestic contributions were equivalent to 82% of IFAD loan and grant operations during 1978–2014, and 78% during 2010–2014. External cofinancing sources in the two periods are shown in Table A.1. Overall external cofinancing averaged 62% for the whole period and 46% during 2010–2014.

Table A.1. IFAD Cofinancing
(\$ million)

Fund sources	1978–2014	2010–2014
IFAD loan and grant operations	16,300	4,508
Total Cofinancing	10,065	2,063
Multilateral	7,638	1,267
Bilateral	1,728	509
NGO	52	15
Other ^a	647	272

IFAD = International Fund for Agricultural Development, NGO = nongovernment organization.

^a Includes financing under basket or similar funding arrangements, financing from private-sector resources, and not confirmed at the time of Executive Board approval.

Source: International Fund for Agricultural Development.

3. Effective partnership and resource mobilization is one of the eight principles of engagement declared in IFAD's strategic framework.¹ In addition to strengthening partnership with national stakeholders, the international development community, and civil society including rural producers' organizations, the strategy underlines the importance of foundations, private companies and corporations, public-private collaboration, and South-South cooperation. The strategic framework commits IFAD to constantly review partnerships and disengage from those that do not provide value added; step up resource mobilization capacity and efforts; and continue to mobilize resources through bilateral arrangements with member states. Scaling up IFAD's operations is a key priority. Partnerships are seen as a means to achieve this objective, possibly by packaging investment opportunities for other public and private donors.

4. The Office of Partnership and Resource Mobilization (PRM), which reports directly to the President, combines the funding and partner relations functions of Asian Development Bank's (ADB) Strategy and Policy Department and Office of Cofinancing Operations. It has three liaison offices, which interact with delegates of the member countries on matters related to replenishments, secondments, recruitment missions, and funding on specific projects. The liaison offices for Asia and the Pacific and for Arab and Gulf States are based in Rome, and the office for the Americas in Washington, D.C. PRM has two technical units:

¹ IFAD. 2011. *IFAD Strategic Framework 2011-2015*. Rome. The other seven principles are: a differentiated approach based on country context; targeting; empowerment of poor rural people; gender equality and women's empowerment; opportunities for rural youth; innovation, learning and scaling up; and sustainability.

- The Private Sector Unit, responsible for relations with foundations, private companies (e.g., Unilever, Syngenta, Mars and Intel), and due diligence on private sector relations. It raises funds (subject to IFAD's Executive Board approval).
 - The Partnership Management Support Unit, responsible for replenishment negotiations, additional contributions, and the management of funds entrusted to IFAD. In addition to grant funds (especially from the European Union) IFAD recently piloted borrowing and relending commercial funds. PRM manages a Spanish loan provided in 2010 and another from the German Development Bank (KfW), which IFAD onlends.
5. PRM sets annual targets on the amount of additional contributions which IFAD needs to mobilize and takes part in the design of special facilities (for example an agricultural facility funded by the European Union to provide loans, grants and guarantees in the agriculture sector). It attends partnership events, such as ADB's annual donors' meeting held in March, and organizes events around which fund-raising is organized.

I. Partnership with International Organizations and Development Finance Sources

6. IFAD's partnerships with multilateral and bilateral development agencies tend to focus, as in the case of ADB, on project-specific activities. Multilateral cofinancing accounted for 76% of total cofinancing during 1978–2014, but declined to 61% of the total during 2010–2014, a reduction made up partly by increased bilateral cofinancing (from 17% to 25% in the two periods), and partly by the growth of other sources.

7. Among bilateral cofinancing sources Belgium, France, Germany, the Netherlands, and Spain have provided about 70% of total bilateral cofinancing to IFAD projects. In 2014, IFAD reached an agreement with KfW Development Bank of Germany for a credit line to be re-lent to middle-income countries at commercial terms to finance rural development projects, to free core resources that could be reallocated to lower-income and fragile countries.

8. The list of multilateral cofinanciers of IFAD programs is headed by the OPEC Fund for International Development (OFID), the African Development Bank, the International Bank for Reconstruction and Development, and the Arab Fund for Economic and Social Development. Together, these four represent more than 50% of total multilateral cofinancing. ADB, with \$126 million, accounts for 4.4%, but is the highest single cofinancier for IFAD in Asia and the Pacific. The European Union started cofinancing projects with IFAD in 2006 and has evolved into one of the most significant sources of additional funding, with a total of \$326 million invested in IFAD projects, supporting pro-poor agricultural research, remittances for development, support to farmer organization networks, public-private sector partnerships and agricultural risk management.

9. IFAD actively pursues global funds. Its Environment and Climate Division has received a number of Global Environment Facility (GEF) grants. IFAD is in the process of becoming an implementing agency for the Global Agriculture and Food Security Program (GAFSP).² IFAD faces some of the same difficulties and disincentives that confront ADB in accessing some global funds. Procedures to access the GEF are relatively complicated. Funding amounts are not large, and, although significant GEF resources are channeled through the Least Developed Countries Fund (LDCF), the majority of the poor and vulnerable live in middle-income countries (for example, in Indonesia, the People's Republic of China [PRC], and the Philippines in Asia). Both the United Nations Development Programme (UNDP) and the World Bank have been very proactive in securing financing from global funds, which further reduces the possibility of accessing these funding sources.

² The creation of GAFSP in 2010 caused considerable disappointment at IFAD, as it implied a parallel structure that would pursue many of the same objectives that were at the core of IFAD's operations.

10. Partly in response to these problems, in 2012 IFAD created its own Adaptation for Smallholders Agriculture Program (ASAP) to scale up and integrate climate change adaptation across IFAD operations. The fund raised \$366 million from eight bilateral development partners (Belgium, Canada, Finland, Netherlands, Norway, Sweden, Switzerland, and United Kingdom). ASAP does not fund stand-alone projects. Based on an assessment of climate risk in the IFAD country programs and projects, it funds additional activities aimed at raising the capacity of farmers' organizations, cooperatives and other local organizations to adapt and respond to climate change. The process is fully integrated into IFAD's programming and project cycle.

11. To promote higher levels of cofinancing and use of global funds, IFAD has adjusted its incentive system:

- To facilitate access to global funds, the Environment and Climate Division (ECD) acts as a focal point for regional divisions that need to fund project components that deal with environment and climate change. The ECD helps team leaders to put together a financing package accessing the most appropriate external sources, helps navigate GEF or ASAP procedures, and joins supervision missions to assess the environmental dimension of the projects.
- To ensure the use of global funds, IFAD has introduced the requirement that by 2018 climate resilience must be mainstreamed into 100% of its projects. This provides an incentive to country program managers to address the issue and secure funding for this purpose.

II. Partnership with Nongovernment Organizations and Civil Society

12. IFAD relationships with civil society are facilitated by the small-scale and grassroots design of its projects, which lack the potentially contentious resettlement and environmental impact of larger projects funded by multilateral development banks. In addition, at the local level, projects and programs supported by IFAD often leverage the experience of NGOs and their local knowledge for project implementation. IFAD also supports NGOs in regional and global initiatives relating to its advocacy and research initiatives. Civil society organizations and NGOs are eligible partners in implementing IFAD grant-financed activities.

13. An example of an IFAD-NGO partnership is the OXFAM-Novib work with indigenous people and smallholder farmers in Peru, Viet Nam and Zimbabwe—funded under an IFAD grant—to integrate science and traditional knowledge to develop locally appropriate adaptation strategies for food security through the establishment of farmer field schools. Another is the development by InterAction, an alliance of more than 200 development NGOs, of two interactive global platforms to promote coordination, avoid duplication, and encourage partnering among NGOs and between NGOs and funding sources that promote rural development.

14. IFAD is also intensely involved with civil society through its work in support of farmers' organizations, village communities, and self-help groups. In addition to building capacity locally through projects and by supporting institutional development to create a more enabling environment at the country level. IFAD initiated in 2005 a bottom-up process of consultation and dialogue among small farmers' and rural producers' organizations, IFAD, and governments, focused on rural development and poverty reduction, including a global Farmers' Forum that meets every 2 years for global consultations in conjunction with IFAD's Governing Council.³

³ More details can be found on IFAD's website at http://www.ifad.org/farmer/index_full.htm

III. Partnership with the Private Sector

15. IFAD partnerships with the private sector involve foundations and private companies. Both are handled by the Private Sector and Foundations Unit in PRM. At this stage they are small compared with overall IFAD operations and cofinancing, but they are important in demonstrating the potential of these relationships.

16. Foundation support is used to explore new ideas and innovative development approaches which can eventually be scaled up through the IFAD project portfolio. IFAD and the Bill and Melinda Gates Foundation, for example, coordinate their investment in the areas of agricultural research, smallholder access to markets, empowerment of rural women and capacity building for communities and farmers' organizations. With the Rockefeller Foundation, in 2015 IFAD co-hosted the launch of a network for African ministers of finance and agriculture, called Leadership for Agriculture, to engage governments, business leaders, NGO heads, and other stakeholders in the promotion of African agriculture.

17. The Public-Private-Producer Partnerships (4P) initiative aims at bringing small producers close to productivity-enhancing market opportunities by creating links with larger companies in the food and agriculture business. The large companies typically provide technical assistance and quality control, and agree to purchase all or part of the harvest from smallholders. 4P finances business plans jointly submitted by private companies and farmers' organizations who propose to enter into a partnership agreement where both parties take risks, invest, and share the benefits. IFAD financing is intended to focus on the delivery of public or semi-public goods that would not be funded by the private sector and to fill financing gaps in otherwise viable business plans. Within this framework, the sustainable cocoa initiative in Central Sulawesi, Indonesia, is delivering extension services to smallholder farmers to improve crop quality, given the limited provincial capacity to do so. In India small farmers selling products to supermarket chains (possibly also for export) receive assistance to improve quality to meet standards. In Lao People's Democratic Republic (PDR), producers of organic vegetables (such as asparagus) are being linked to markets in Japan.

18. Partnerships with individual companies are also in progress. IFAD has teamed up with Intel to increase small farmers' access to information through new Intel software that will help farmers make informed decisions on seed and fertilizer selection, harvest planning and sales management. The French organic chocolate company Kaoka is working with IFAD in Sao Tomé to train farmers and source high-quality cocoa from them. Unilever has signed a global partnership agreement with IFAD to help improve food security through raising of agricultural productivity; linking farmers to markets; reducing risk and vulnerability; improving non-farm rural employment; and making agriculture more sustainable. Heinz is supporting smallholders on reclaimed desert land in Egypt by providing the farmers with seeds and technical advice, and guaranteeing to buy half of their harvest at an agreed price.

IV. Knowledge partnerships

19. IFAD plays an important role in several networks and knowledge platforms that support research for agriculture and rural development and foster collaboration to improve access to information and risk analysis.⁴

20. For almost 30 years, the Consultative Group on International Agricultural Research (CGIAR), a network of 15 international agricultural research centers, has mobilized scientists and agricultural researchers to promote sustainable agriculture for food security in developing countries. Over the past 25 years, IFAD has committed approximately \$120 million for 127 CGIAR-led research programs. IFAD

⁴ The following examples are drawn from interviews with IFAD staff and from IFAD's website at http://www.ifad.org/partners/key/knowledge_innovation.htm

also contributes technically, financially, and as a member of the Secretariat to the Coalition for African Rice Development.⁵

21. In the area of risk reduction and management, in 2008 IFAD launched jointly with the World Food Programme (WFP) and the Bill and Melinda Gates Foundation the Weather Risk Management Facility, an initiative to support the sustainable development of weather risk management instruments in developing countries. The collaboration builds on IFAD's experience in rural finance and WFP's focus on climate change and disaster risk reduction, to help bridge the gap between emergency relief and rural development. It has piloted instruments such as weather index based insurance that ties insurance payments to weather features that affect a given area rather than to specific crop damage. In 2014, IFAD helped to establish the Platform for Agricultural Risk Management (PARM), an outcome of the G8 and G20 discussions on food security and agricultural growth. IFAD hosts the secretariat of this initiative that aims at the identification, assessment, quantification, and management of agricultural risks in partner countries.

⁵ The Secretariat to the Coalition for African Rice Development is a consultative group of bilateral and multilateral donors and African and international institutions launched in 2008 at the Fourth Tokyo International Conference on African Development to double rice production in Africa by 2018 to 14 million tons.

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

Country	Project Name	Type of Assistance	Cofinancing Amount (\$ million)	Approved Amount (\$ million)	Administration Arrangement	Approval Date	PCR Rating	PVR Rating	Status
BAN	Participatory Small Scale Water Resources Sector	Loan	22.0	55.0	Partial Administration	4-Sep-09			Active
BAN	Participatory Small Scale Water Resources Sector (Supplementary)	Loan	10.0	0.0	Partial Administration	29-Jul-10			Active
BAN	Coastal Climate-Resilient Infrastructure	Grant	1.0	10.0	Collaborative	28-Sep-12			Active
BAN	Coastal Climate-Resilient Infrastructure	Loan	59.0	0.0	Collaborative	28-Sep-12			Active
CAM	Tonle Sap Poverty Reduction and Smallholder Development	Grant	6.7	27.3	Full Administration	8-Dec-09			Active
CAM	Tonle Sap Poverty Reduction and Smallholder Development	Loan	6.7	6.7	Full Administration	8-Dec-09			Active
LAO	Northern Region Sustainable Livelihoods through Livestock Development	Loan	3.0	3.5	Full Administration	29-Sep-06			Closed
LAO	Sustainable Natural Resource Management and Productivity Enhancement	Grant	15.0	15.0	Full Administration	23-Feb-09			Active
LAO	Northern Smallholder Livestock Commercialization	Grant	5.0	21.0	Collaborative	24-Nov-14			Active
LAO	Northern Smallholder Livestock Commercialization	Loan	5.0	0.0	Collaborative	24-Nov-14			Active
PAK	North West Frontier Province Barani Area Development - Phase II	Loan	14.8	52.0	Partial Administration	28-Nov-00	Successful	Successful	Closed
PHI	Integrated Natural Resources and Environmental Management	Loan	20.0	100.0	Partial Administration	3-Dec-12			Active

ADB = Asian Development Bank, BAN = Bangladesh, CAM = Cambodia, IFAD = International Fund for Agricultural Development, LAO = Lao People's Democratic Republic, PAK = Pakistan, PCR = project completion report, PHI = Philippines, PVR = project completion report validation report.

Source: Asian Development Bank.