

## Financing Partnership Facilities

*This special evaluation study presents an independent evaluation of the implementation of ADB's first three financing partnership facilities (FPF) in the areas of water, regional cooperation and integration, and clean energy. The main objective of the study is to draw lessons from the implementation of the three FPFs.*

**F**inancing Partnership Facilities (FPF) are defined as operational “platforms” for strategic, long-term, and multipartner cooperation with development partners, linking various forms of assistance in a coordinated manner for well-defined purposes. FPFs are focused on the Asian Development Bank’s (ADB) key sector/thematic priorities stemming from Strategy 2020 and may include seed funding from ADB as well. Subprojects or components may be fully financed by cofinanciers on a stand-alone basis, but linked to an established ADB program or facility, and be supported through ADB’s administration services. The intended advantage of FPFs is that they are considered better “platforms” for coordinated financing of agreed-upon objectives in a more sustained and mutually beneficial manner, compared with what was possible previously with just single-donor and multidonor trust funds.

The evaluation covers the first three FPFs. Under these three FPFs, there are currently seven funds. The FPFs, funds, and their respective donors are

- **Water Financing Partnership Facility**
  - (a) Multi-Donor Water Trust Fund (supported by Australia, Austria, Norway, and Spain)
  - (b) Netherlands Trust Fund (the Netherlands)
- **Regional Cooperation and Integration Financing Partnership Facility**
  - (a) Regional Cooperation and Integration Fund (supported currently by ADB)
  - (b) Investment Climate Facilitation Fund (Japan)
- **Clean Energy Financing Partnership Facility (CEFPF)**
  - (a) Clean Energy Fund (Australia, Norway, Spain, and Sweden)
  - (b) Asian Clean Energy Fund (Japan)
  - (c) Carbon Capture and Storage Fund (Global Carbon Capture and Storage Institute headquartered in Australia)

Given that the FPF portfolio is relatively young, the study places more emphasis on evaluating the process and the actual outputs, rather than outcomes and likely impacts. The study is focused mainly at the facility level, but it also looks at issues dealing with performance of FPF-financed projects. In terms of its methodology, the study is essentially a process evaluation that assesses the performance of the FPFs in terms of their relevance, effectiveness, efficiency, and sustainability. Since there are no major differences between the funds within each of the FPFs, the study does not separately evaluate any of the individual funds. The FPFs’ stakeholders consulted include in-country partners, concerned project and other staff in ADB, and FPF financing partner staff. The evaluation faced limitations on available data to construct a framework for “before-and-after FPF” and “with-and-without FPF” counterfactual scenarios.

### Overall Assessment

Overall, the FPFs are rated *successful*. In terms of the four evaluation criteria, the FPFs are rated as *relevant*, *effective*, *less efficient*, and *likely sustainable* (on the low side). The overall assessment combines both facility-level assessment and project-level assessment. The facility-level and the project-level assessments are largely in line with the overall assessment, although the sustainability of the facility was considered somewhat less positive due to the financial sustainability of the FPFs not yet being fully assured. after FPF” and “with-and-without FPF” counterfactual scenarios.

### Key Issues

- **The tracking and monitoring of projects adopting the new direct charge to project cost modality is found to be difficult.** The introduction of the direct charge modality has recently improved the efficiency of use of the available FPF resources

### QUICK LINKS

#### Financing Partnership Facilities

[www.adb.org/Documents/SES/REG/SES-OTH-2010-74/default.asp](http://www.adb.org/Documents/SES/REG/SES-OTH-2010-74/default.asp)

#### Water Financing Partnership Facility

[www.adb.org/water/wfpf/about.asp](http://www.adb.org/water/wfpf/about.asp)

#### Clean Energy Financing Partnership Facility

[www.adb.org/Clean-Energy/cefpcf.asp](http://www.adb.org/Clean-Energy/cefpcf.asp)

#### Regional Cooperation and Integration Financing Partnership Facility

[www.adb.org/Documents/Others/Cofinancing/RegionalCooperation-and-IntegrationFinancing.pdf](http://www.adb.org/Documents/Others/Cofinancing/RegionalCooperation-and-IntegrationFinancing.pdf)

#### ADB Management Response

[www.adb.org/Documents/Evaluation/Management-Response/SES/MR-FPF.pdf](http://www.adb.org/Documents/Evaluation/Management-Response/SES/MR-FPF.pdf)

#### Chair’s Summary of the Development Effectiveness Committee (DEC)

[www.adb.org/BOD/bod/dec/DEC-ChairSum-13May2011.pdf](http://www.adb.org/BOD/bod/dec/DEC-ChairSum-13May2011.pdf)

vis-à-vis the other FPF modalities; however, there is a concern regarding the possible overuse of the direct charge modality vis-à-vis the traditional small-scale technical assistance (TA) modality. The concern relates to the possibility that direct charge projects use an expedited processing cycle and, hence, may not be subject to the same process of scrutiny as small-scale TA. However, this concern may be addressed if the direct charge modality is confined to the specific purpose for which it was intended.

- **The FPF administrative arrangements are working well, but there is a need for strengthening in some areas.** The use of existing ADB structures, such as sector/thematic communities of practice and working groups to screen projects, are seen as effective, particularly under the delegated funds. One area that needs further strengthening is reporting to financing partners. Although the report template was developed together with the partners, their demands have increased over time, especially with the new addition of the Carbon Capture and Storage Fund, which has resulted in the current reporting not meeting all of their needs. Second, in two of the three FPFs, external consultants working for the secretariats often do not have full access to ADB's financial systems and databases, which detracts from the efficiency of the secretariats' work. Third, related to the second point, the external consultants working for the FPF secretariats sometimes maintain separate databases to facilitate their work and to make them less dependent on ADB systems. This reliance on individual databases raises some doubts over data integrity and security, as well as potential implications for ensuring continuity of the secretariats' work in case the consultants leave. Fourth, there is an issue regarding service fees not always recovering the cost of administering TAs and grants and that thematic trust funds tend to require more staff and consultant resources than traditional trust funds.
- **At the project level there are chronic implementation delays.** For the FPF-financed grants, the disbursements levels are less than half of what would be expected, given the project elapsed time, and also below the levels of non-FPF grants. Overall implementation progress of FPF-financed TA, although somewhat better than for grants, is also well behind schedule. The causes may be either overly optimistic implementation planning or systemic weaknesses in implementing projects efficiently. This issue is significant in terms of FPF efficiency at the project level and FPF sustainability due to its detracting from ADB's ability to secure replenishments and fresh funds when allocated funds are yet to be disbursed. However, it is not FPF-specific and, therefore, is better addressed at the ADB level for all projects (both FPF and non-FPF).

## Lessons

There are potential benefits from consolidating trust funds outside the FPFs into the FPFs. The potential advantages of this type of consolidation are twofold: (i) broadening the FPF partnership membership would diversify the sources of finance (and also increase the nonmonetary financing mechanisms provided), thereby improving both the relevance and the financial sustainability of the FPFs; and (ii) increased economies of scale in ADB's partnership financing would render the FPFs more efficient.

## Feedback

ADB Management appreciates the study and agrees with the overall assessment, conclusion, and recommendations made. Management noted that the recommendations, if fully implemented, will have significant resource implications for ADB. Hence, the recommendations need to be fully carefully considered and progressively piloted, where applicable, to ensure that ADB can implement the recommendations in a systematic and sustainable way. In the Chair's Summary of the Development Effectiveness Committee (DEC) discussions, DEC welcomed the study of the FPF in the areas of water, regional cooperation and integration and clean energy as an instrument for additional resource generation and for promoting innovation. But, it also noted areas of concern in relation to efficiency of resources, implementation delays, transaction costs, administrative requirements and additional conditionalities. DEC urged Management and staff to continue efforts in ensuring that scarce resources are utilized optimally for delivering development effectiveness and to generate innovation.

## Recommendations

- *Study the possibility of mainstreaming the direct charge modality for financing small, direct, and identifiable stand-alone activities, such as workshops, short studies, and knowledge product development*
- *Establish ground rules and systems for improving ADB's uptake capacity of nonmonetary FPF financing mechanisms*
- *Encourage more delegation of allocation and processing of FPF-financed projects to ADB, while ensuring that FPF requirements are met*
- *Develop a more structured and coordinated approach to securing new FPF financing partners and FPF fund replenishment*
- *Improve FPF design and monitoring frameworks paying particular attention to outcome indicators, as well as cost of inputs*

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