



ADB

Partnership Brief

Cofinancing with the United Kingdom

Asian Development Bank

Contents

3 Defining the Partnership

4 Project Portfolio

6 Highlights

8 Case Study: Broadening Partnerships to Improve Health Care

Boxes and Tables

7 Institutional Milestones

10 Direct Value-Added Cofinancing

11 Trust Funds

©2011 Asian Development Bank

All rights reserved. Published 2011.
Printed in the Philippines.

The views expressed in this publication are those of the authors and do not necessarily reflect the views and policies of the Asian Development Bank (ADB) or its Board of Governors or the governments they represent.

ADB does not guarantee the accuracy of the data included in this publication and accepts no responsibility for any consequence of their use.

By making any designation of or reference to a particular territory or geographic area, or by using the term "country" in this document, ADB does not intend to make any judgments as to the legal or other status of any territory or area.

ADB encourages printing or copying information exclusively for personal and noncommercial use with proper acknowledgment of ADB. Users are restricted from reselling, redistributing, or creating derivative works for commercial purposes without the express, written consent of ADB.

Note:

In this publication, "\$" refers to US dollars.



Defining the Partnership

The Government of the United Kingdom (UK) and the Asian Development Bank (ADB) have focused on reducing extreme poverty in Asia in a productive partnership, concentrating on the poorest countries such as Afghanistan, Bangladesh, Cambodia, and Nepal.

Indeed, in a full review of its relationships with multilateral organizations around the world, published in March 2011, the UK included ADB among nine organizations it ranked as providing “very good value for money”.

It also confirmed its commitment to raising official development assistance (ODA) to 0.7% of gross national income permanently by 2013 (from 0.52% in 2009), a long-standing international target, even as it

grapples with a large budget deficit in the wake of the recent economic crisis.

In so doing, however, it will end its bilateral programs in 16 countries globally, in Asia including Cambodia, the People’s Republic of China, Indonesia, and Viet Nam. It will retain its focus on eight countries in the region, largely in Central and South Asia (see map on page 6).

Operating through its Department for International Development (DFID), established in 1997, the UK stresses a determination to deliver the greatest possible return on investment; transparency in aid; boosting economic growth and wealth creation; strengthening governance and security in fragile countries or those affected by conflict; improving

the lives of girls and women; and combating climate change.

Among recent efforts, the UK and ADB in 2009 entered a 5-year strategic partnership to fight poverty in India, building on a collaboration that began in 2001. The two deepened their partnership in 2005 with a formal general agreement—the Memorandum of Understanding on Administrative Arrangements—which further stressed policies that favor the poor.

They began cooperating in 1998 with a small cofinancing grant, increasing their cooperation efforts after the 1999 release of ADB’s Poverty Reduction Policy, which put their respective goals in closer alignment. Prior to the establishment of DFID, the UK had provided support for many ADB projects, starting with a loan for an agricultural project in 1975. ■



Project Portfolio

Cooperation on official cofinancing with the UK is clearly focused on Central and South Asia, where several countries look likely to fall well short of the Millennium Development Goals or have recently emerged from long civil conflicts, such as Nepal.

In its technical assistance support for projects in 2010, for example, the UK provided nearly \$3.7 million in funding for seven projects—four in India, one in Bangladesh, and two for regional funds (supporting climate change in one case and free trade in South Asia in the other).

In Bangladesh, this included \$225,000 for the Second Urban Primary Health Care Project. The project, which is using public-private partnerships to provide facilities and services to six cities and five municipalities

across Bangladesh, began in 2005, in part with the support of a \$25 million UK grant, joining cofinancing from Sweden and the United Nations Population Fund (see case study on page 8).

In 2006, the UK also provided a large \$56.70 million grant to the Second Rural Infrastructure Improvement Project in support of a \$96.10 million ADB loan to improve rural infrastructure and local governance in Bangladesh. It was designed to upgrade about 9,920 kilometers of roads in the rural network and 370 rural markets in 23 districts in Rajshahi, Dhaka, and Chittagong, selected for their poverty, poorly developed road infrastructure, and need for stronger local governance.

Also in Bangladesh, the UK provided a large \$150 million grant to the \$1.8 billion Second Primary Education Development

Program of 2003–2011, which involved 11 donors and is transforming primary education in the country.

Despite an impressive net primary school enrolment rate of 93.9% in 2009, youthful hopes for further education or promising careers in Bangladesh are often dashed by poor teacher training and other problems.

System shortcomings lead to high dropout rates and produce students with poor literacy and numeracy, even after 5 years of schooling. Among the problems, student-teacher contact in many primary schools is low (as much as 30% below the international average) with too many teaching in two shifts catering to two groups of pupils every day. This is a common issue in cash-strapped school systems with insufficient facilities.

The program recruited and trained some 45,000 new teachers, built over 30,000 classrooms, and provided refresher courses to trained staff. This eventually enabled more than 20% of schools covered by the program to move to a single teaching shift, among many other reforms.

The upcoming Third Primary Education Development Program includes forthcoming investments expected to come to more than \$8 billion, with grants from cofinancing partners estimated at close to \$1.0 billion.

The new phase will expand on the second and focus more closely on results. Among the innovative new features, it will introduce “disbursement-linked indicators” that when achieved by the government will trigger eligibility for spending. The indicators are grouped under the project components and results areas, and include things such as on-time textbook delivery, teacher education and professional development, needs-based infrastructure, decentralized school management and governance, improvement in the fifth-grade terminal examination, an annual school census, and so on.

Strategic Partnership in India

In India, the 2009 strategic partnership mentioned earlier is financing poverty-fighting projects with a £14 million grant. Its support includes a cluster of technical assistance projects in India’s poorest states being used to finance specific components of ADB projects to help the poor, with 17 infrastructure projects identified for assistance.

Since 2001, when this closer collaboration between ADB and

DFID began, the UK has provided over \$50 million in such grant cofinancing. This has included funding for the preparation of road-building projects in Madhya Pradesh and Jharkhand, power sector capacity development in Bihar, preparing an investment plan for urban development in Himachal Pradesh, and land transport management in Sikkim, among others.

Water in Afghanistan

In Afghanistan in 2009, the UK provided a \$3.3 million grant to the first tranche of the Water Resources Development Investment Program, supporting an ADB grant of \$86.60 million and part of a 10-year, \$303.3 million plan funded by an ADB multitranche financing facility to improve the country’s aging irrigation systems and provide flood protection.

Agriculture provides a living for about two-thirds of Afghans and generates about 50% of the country’s gross domestic product. But the current irrigation system was weakened severely by 30 years of war.

The first tranche of the program will improve infrastructure in the Balkh River Basin and the Nangahar Valley, upgrading infrastructure covering around 100,000 hectares in the north and east. The DFID grant will prepare a Helmand Basin Water Resources Master Plan. The full investment program is expected to be completed in 2019.

Poverty Reduction in Viet Nam

Similarly, in Viet Nam, the UK’s cofinancing efforts with the ADB have been in poverty reduction,

providing four grants during 2004–2007, totaling \$148.9 million for the country’s Poverty Reduction Program.

The package of reforms has helped improve the business environment, promote inclusive growth, ensure the protection of natural resources, and modernize governance.

Donors have been supporting the Vietnamese government in its acceleration of reforms in accordance with its Socioeconomic Development Plan 2006–2010, the main objective of which was to reduce poverty incidence to 10%–11% by 2010. Poverty was higher than 58% in 1993, but had been reduced to below 20% prior to the program and about 9.5% by 2010. But there is still considerable disparity across regions of the country, with poverty incidence in some northern and central areas over 30%.

Supporting Recovery in Nepal

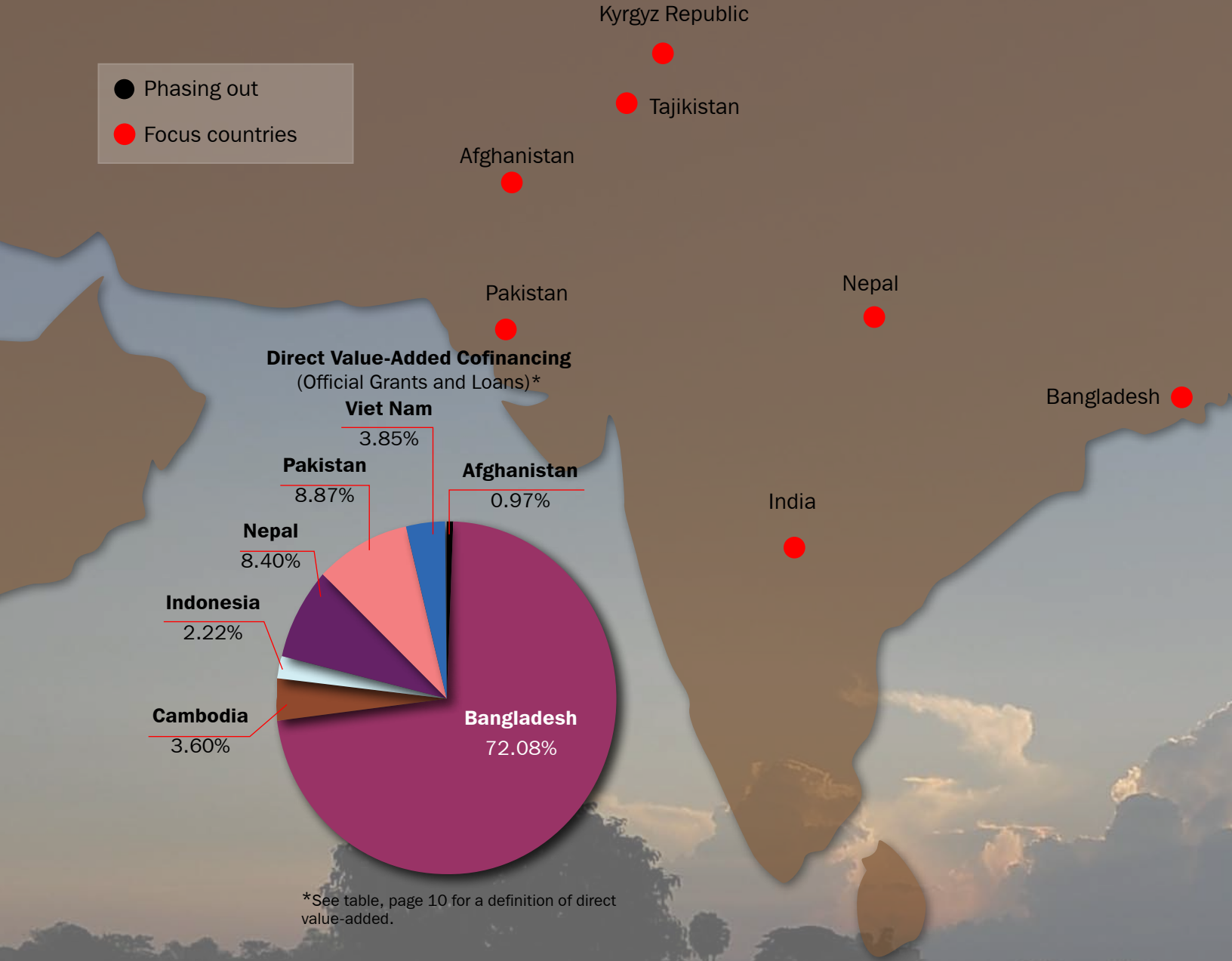
The UK is also involved in a long-term government program in Nepal to create a federal and decentralized state.

Nepal is keen to avoid the problems of the early 1990s when, after the introduction of multiparty democracy, political splintering fueled a deadly civil conflict. It is one of Asia’s poorest countries, and underwent dramatic political changes in 2006 when a new interim coalition government was formed and a peace accord ended the conflict.

The \$470 million Governance Support Program Cluster began in 2008 to implement reforms designed to improve local governance in communities

6 Highlights

- Phasing out
- Focus countries

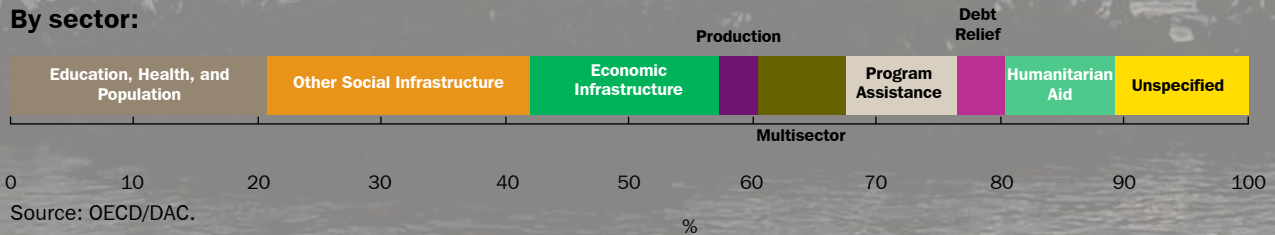


*See table, page 10 for a definition of direct value-added.

Gross bilateral official development assistance (% of gross national income):
 2010/11—0.7% (target) 2009—0.52% 2008—0.43%

Asian countries in its top 10 official development assistance recipients, with ranking: India (1), Afghanistan (3), Bangladesh (5), and Pakistan (7).

By sector:



Direct Value-Added Cofinancing* as of the end of December 2010 (official grants and loans):

Investment projects: \$367.60 million for 15 projects

- Commercial: \$29.50 million for 4 projects
- Grants: \$338.10 million for 11 projects

Technical assistance: \$122.08 million for 102 projects

*For a definition of direct value-added and for non-DVA cofinancing see page 10.

Institutional Milestones

2009—ADB and the UK sign strategic partnership to fight poverty in India running from 2009–2013.

2005—Department for International Development (DFID) and ADB sign the Memorandum of Understanding for Administrative Arrangements to strengthen the partnership and set out plans for ADB–DFID cooperation more systematically; the focus is on pro-poor policies, regional programs, and enhanced cooperation at the country level.

1997—DFID published its first white paper with the focus on eliminating world poverty. Three other white papers, issued in 2000, 2006, and 2009, reinforced the first white paper's message.

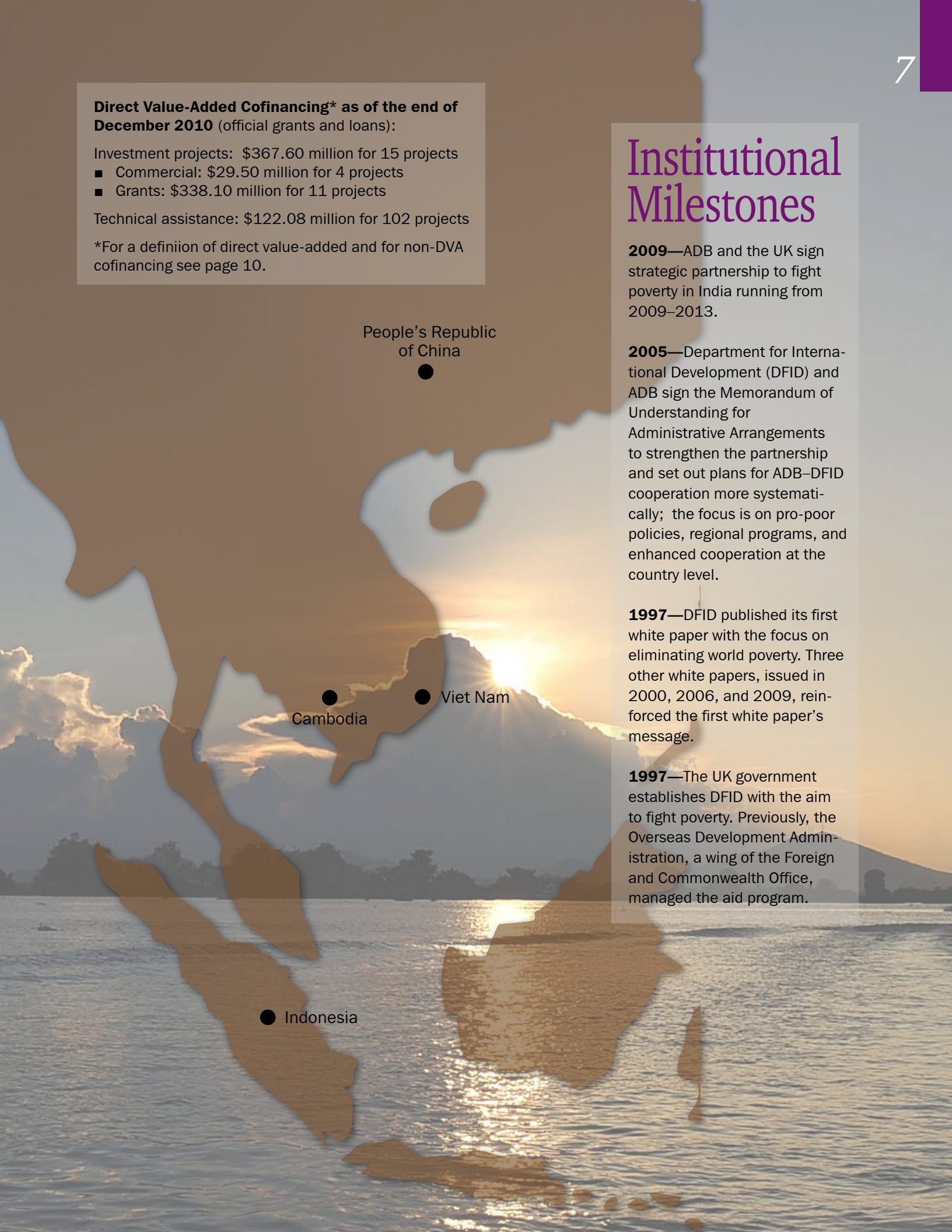
1997—The UK government establishes DFID with the aim to fight poverty. Previously, the Overseas Development Administration, a wing of the Foreign and Commonwealth Office, managed the aid program.

People's Republic
of China

Cambodia

Viet Nam

Indonesia



around the country through better resource management and government service delivery. It is designed to strengthen local government bodies and community organizations, and increase the involvement of women, lower castes, and ethnic and other minority groups. For example, it has undertaken monitoring local finances by incorporating gender equality and social inclusion indicators; administering safety nets and

social assistance programs to the poorest people; budgeting grants to education, health, and agriculture sectors; and testing coordination with other districts.

Financing of \$106.3 million from ADB and \$102.9 million from Canada, Denmark, Norway, Switzerland, the UK, and United Nations agencies has directly supported the Nepali government's Local Governance and Community Support Program. So far funds have been disbursed

in two tranches, with a third expected to be released in July 2011.

Among its early achievements, it has introduced a performance-based grant allocation system to encourage local bodies to comply with program goals for better government service delivery, accountability, transparency, good governance, and so on. The system—which is based on 62 indicators covering eight functional areas—also provides

CASE STUDY

Broadening Partnerships to Improve Health Care

Cofinancing from the United Kingdom (UK) and other partners has helped improve health care facilities in communities around Bangladesh.

The birth of Kamrunnahar Akter's third child was a stress-free experience compared with two previous deliveries. "I gave birth to my two earlier children at home, which led to a lot of difficulties and anxiety," she said, resting, after giving birth at a center run by Progoti Samaj Kallyan Protisthan (PSKP), a nongovernment organization (NGO) operating health care centers in Dhaka under the Second Urban Primary Health Care Project.

With UK support for the ADB-administered project, women across Bangladesh have benefited from this innovative effort. It funds

local governments to plan and oversee the program and, under a partnership agreement, the NGOs to provide the actual service to poor urban communities.

The UK, Sweden, and the United Nations Population Fund teamed up with ADB to build the facilities and fund the services in six cities and five municipalities across Bangladesh.

Typically in South Asia, national governments provide primary health care with meager resources, focusing largely on rural areas. Under this project, 24 partner groups, including PSKP, provide care in urban areas covering

200,000 to 300,000 people each.

The UK provided similar support early last decade to a project funding NGOs to run public health facilities in Cambodia.

Improving Child and Maternal Health

The initiative reaches underserved communities and, in particular, aims to improve child and maternal health in areas where mortality rates remain high.

Under-5 child mortality is 65 per 1,000 births and 41% of children under 5 years are underweight, 12% severely so. Only 52% of pregnant women obtain prenatal care from a medically trained provider and only 15% of births take place in health care facilities.

As of 2009 the project had established 116 primary and 9 comprehensive reproductive health care centers with another 41 facilities under construction.

"The project is one of the largest public-private partnerships for delivering urban primary health

incentives to local bodies to make the improvements.

Planners are now also ready to start a second, smaller program of reforms, although the timing has not yet been finalized.

Staying in Nepal, a \$20 million grant to the Rural Reconstruction and Rehabilitation Sector Development Program in 2007 began supporting a \$100.0 million in ADB grants to reduce rural poverty in the hill, mountain, and Terai (districts of Nepal,

where isolation and hardship are common).

Improving Health in Cambodia

In 2008, the UK provided a \$1.8 million supplementary grant to Cambodia's Health Sector Support Project, bringing overall support to over \$12.0 million. As part of an innovative and successful program launched early last decade to use nongovernment organizations to manage public health facilities in districts throughout the country,

it has improved health sector management, developed accessible and affordable health services, and raised the use of health services, especially by women and the poor. ■

care services in South Asia," says Jamal Mahmood, head of the social sector in Bangladesh for ADB. "With women and children making up more than 75% of the beneficiaries, it is having a real impact on reducing child and maternal mortality rates and helping Bangladesh meet the Millennium Development Goals in those areas."

"We believe our health centers have contributed to a substantial reduction in maternal deaths," says Kazi Nurun Nabi, project manager of PSKP, which runs the Al-Haj Jahurul Islam Matri Sadan (maternity center) where Akter gave birth. With nine doctors and 25 nurses, it also provides other medical treatment, vaccinations, and family planning and nutritional advice.

A key element of the project is the careful targeting of care at the most needy. At least 30% of services provided by the health centers reach the poor, and nutritional supplements are supplied to severely malnourished women and children. Facilities for treating tuberculosis sufferers have



also been established. To help offset service costs, user fees are charged for those who can afford them, and to prevent false claims, entitlement cards are given to the

legitimate poor, letting them access free services. The current, second phase of the project, which began in 2005, will run through the end of 2011. ■

Direct Value-Added Cofinancing^a (Official grants for project components, \$ million)

Year ^b	Project	ADB	United Kingdom
Afghanistan			
2009	Water Resources Development Investment Program – Tranche 1	86.60	3.30 (G)
Bangladesh			
2006	Second Rural Infrastructure Improvement	96.10	56.70 (G)
2005	Second Urban Primary Health Care	40.00	25.00 (G)
2003	Second Primary Education Development Program		150.00 (G)
2001	Post-Literacy and Continuing Education	65.00	12.00 (G)
Cambodia			
2008	Health Sector Support (Supplementary)		1.80 (G)
2002	Health Sector Support	20.00	10.36 (G)
Indonesia			
2005	Community Water Services and Health	64.69	7.50 (G)
Nepal			
2008	Rural Reconstruction and Rehabilitation Sector Development Program (Supplementary)	0.00	20.00 (G)
2001	Road Network Development	46.00	8.40 (G)
Pakistan			
2004	Punjab Devolved Social Services Program	150.0	30.00 (G)
Viet Nam			
2001	Central Region Livelihood Improvement	43.09	13.03 (G)

DVA and Non-DVA Cofinancing (\$ million)

	Number of Projects	Grants	Loans	Commercial	Total
DVA	15	338.10	-	29.50	367.60
Non-DVA	38	231.63	619.00	9.37	860.00

G = grant.

^a Direct value-added (DVA) cofinancing is cofinancing with contractual or collaborative arrangements. Under contractual cofinancing ADB assumes financial, fiduciary, and/or administrative responsibilities. Collaborative cofinancing imposes no contractual obligations on either ADB or the financing partner, but requires close coordination during processing and implementation of the project, with proper documentation.

^b Since the United Kingdom began cofinancing with ADB.

Trust Funds

Year of Agreement	Facility/Agreement	Amount (£)	Amount (\$)	Status of Funds (as of 30 June 2010)
2001/2005/ 2007	Cooperation Fund for Technical Assistance for India (Old Agreement)	25,000,000	44,430,252	Fully committed and for closing
	Poverty Reduction Cooperation Fund			
2002	■ Regional Program	23,722,391	40,562,810	Funds closed
2003	■ PRC Program	5,425,644	9,019,342	Funds closed
2002	Special Poverty Reduction Partnership Program for Indonesia	5,000,000	7,771,166	Funds closed
2009	Strategic Partnership to Fight Poverty in India	14,000,000	21,483,084	Fully committed

Partnership Brief

Cofinancing with the United Kingdom

The Partnership Brief series, compiled by the Asian Development Bank's Office of Cofinancing Operations, presents key details of cofinancing with ADB's main development partners.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to two-thirds of the world's poor: 1.8 billion people who live on less than \$2 a day, with 903 million struggling on less than \$1.25 a day. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.

For further information, please contact:

Asian Development Bank—Office of Cofinancing Operations

Tadashi Kondo - Head

Georges Heinen - Senior Advisor

Hua Du - Director

Karen Decker - Principal Financing Partnerships Specialist,
Europe Partners Team

Gia Heeyoung Hong - Financing Partnerships Specialist,
Europe Partners Team

Angel Diez Fraile - Financing Partnerships Specialist,
Europe Partners Team

6 ADB Avenue, Mandaluyong City

1550 Metro Manila, Philippines

www.adb.org

Publication Stock No. ARM113429