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Note:

In this publication, “$” refers to US dollars.
The Government of Sweden and the Asian Development Bank (ADB) for many years have engaged in a productive development partnership focused on the areas of education, health, environment, and infrastructure.

Recent support has largely been channeled through trust funds, most prominently in Sweden’s contributions in 2010 to new funds encouraging the construction of urban infrastructure and in fighting HIV/AIDS. In both cases, it was the first donor country involved.

It has also provided support for projects promoting educational reform and health services in Bangladesh, among others. In its development cooperation, Sweden aims to create opportunities for poor people to improve their living conditions. It concentrates development assistance on the issues of democracy and human rights, gender equality and the role of women in development, and climate change and the environment.

It is also among the most generous providers of assistance in the world at about 1% of gross national income. This is handled by the Ministry for Foreign Affairs and the Swedish International Development Cooperation Agency (Sida), an agency under the ministry.

In the past few years, Sweden has reduced its number of “cooperation countries” worldwide from around 70 to 33, in Asia phasing out bilateral support to the Lao People’s Democratic Republic,

“Sweden’s development assistance is among the most generous in the world at 1% of gross national income.”
Mongolia, the Philippines, Sri Lanka, and Timor-Leste (all excepting regional cooperation work). The main focus is now on Afghanistan, Bangladesh, Cambodia, the People’s Republic of China, India, and Viet Nam (see map on page 6). Swedish cooperation with these countries is guided by bilateral cooperation strategies.

In its new Strategy for Regional Cooperation in Asia 2010–2015, Sweden focuses on transboundary issues in three areas: environment and climate, sustainable communal services and democracy, and human rights.

Its development priorities in the region provide room for continued cooperation with ADB, which under Strategy 2020 emphasizes development support in the core areas of infrastructure, environment, regional cooperation and integration, financial sector development, and education.

The country’s cofinancing partnership with ADB goes back to a 1992 Channel Financing Agreement. It expanded the partnership in 2006 with the conclusion of the General Agreement on Operational Arrangements, a cofinancing agreement aimed at streamlining the cofinancing process.

In recent years, Sweden has provided extensive support through several ADB-administered facilities and funds, most recently with crucial backing for urban infrastructure, where a significant financing gap threatens the sustainability of the region’s strong economic growth.1

The country was the first cofinancing partner to support the new Urban Financing Partnership Facility (UFPF) set up in 2010 to back ADB’s wide-ranging urban development projects. The facility will provide grants and guarantees to help drive environmental infrastructure improvements in Asia’s cities, which are growing by about 44 million people a year. A Financing Partnership Facility is a relatively new umbrella-like cofinancing arrangement introduced by ADB that can include single- and multidonor trust funds, loan cofinancing through framework agreements, guarantees, and knowledge products.

In 2010, Sweden committed a grant of SKr100 million (around

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1 The following reviews a selection of projects only. It is not a comprehensive list.
$14 million) to the Urban Environmental Infrastructure Fund established under the UFPF. It also provided a guarantee of $70 million to the fund, a novel mechanism that leverages resources by guaranteeing part of the risk that commercial lenders face in financing urban environmental infrastructure in developing countries. This makes it more likely they will participate in cofinancing.

In the wake of the global financial crisis, the regulatory environment and internal risk management policies of international lenders have become even more restrictive, so that without these guarantee mechanisms it would not be possible to tap this important source of commercial cofinancing.

Also in the area of urban infrastructure, for the period 2008–2012, Sweden has committed to contributing a total of SKr59 million to ADB’s Cities Development Initiative for Asia (CDIA), which links cities to the financing they need to improve urban services. Its contribution supports analytical work to improve city management and develop expertise in designing urban infrastructure focused on the poor and on environmental sustainability.

By June 2010, CDIA had approved funding for applications from 21 cities in 12 countries. Contributions to CDIA have a large leveraging effect on strategic infrastructure investments.

**Fighting HIV/AIDS**

Swedish funding has also been important to ADB’s efforts to scale up support for fighting HIV/AIDS. In 2010, Sida provided...
Gross bilateral official development assistance, 2008–2009

% of gross national income: 2009—1.12%  2008—0.98%

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

Sweden’s development aid budget for 2010 totaled about SKr31.4 billion (about $4.5 billion), of which SKr16 billion (about $2.3 billion) is administered by Sida.

By sector:

Source: OECD/DAC and ADB.
People’s Republic of China
Cambodia
Viet Nam
Lao People’s Democratic Republic

**Cumulative as of end-December 2010**

- Investment projects: $70.85 million for 7 projects
  - Official loan: $7.10 million for 1 project
  - Grants: $63.75 million for 6 projects

- Technical assistance: $39.23 million for 23 projects

For non-DVA projects, see table on page 10.

**Institutional Milestones**

2006: General Agreement between Sweden and ADB to facilitate the negotiation and finalization of channel financing arrangements for the establishment of cooperation funds and project-specific cofinancing arrangements. It outlines general rules and procedures for all possible cofinancing arrangements, aiming to reduce the time it takes to draft, negotiate, and finalize full-fledged cofinancing agreements.

1992: First Channel Financing Agreement providing grants for technical assistance projects.
a grant of about $5.0 million equivalent to the ADB Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific, its second contribution, bringing the total to more than $19 million.

Around 4.9 million people in Asia live with the virus and HIV prevalence has been increasing in recent years even in such low-prevalence countries as Armenia, Bangladesh, Georgia, Kazakhstan, the Kyrgyz Republic, the Philippines, and Tajikistan, with women and girls particularly vulnerable. Swedish support has stimulated commitment among ADB staff working on transport issues to address HIV/AIDS in projects. Through 12 subprojects it is supporting initiatives in South Asia, Southeast Asia, East Asia, and Central and West Asia, as well as several projects with a broader, regional focus on HIV-related issues.

Environmental Sustainability

Sweden is active in several environmental initiatives and funds, including two funds under ADB’s Carbon Market Program (CMP). The Swedish Energy Agency has committed some $20 million to the Future Carbon Fund (added to the CMP in 2009) and $15 million to the Asia Pacific Carbon Fund.

The CMP (formerly the Carbon Market Initiative) supports the development of energy efficiency, renewable energy, and other greenhouse gas mitigation projects through the two carbon funds, a technical support facility, and a credit marketing facility.

Along with the Future Carbon Fund, the Asia Pacific Carbon Fund is unique in that it increases the viability of greenhouse gas mitigation projects by providing financing at the most critical stage, that is, during project preparation and implementation, since carbon credits will only be delivered after project completion.

It provides an upfront payment against the purchase of the certified emission reductions (CER) expected to be generated by each project up to 2012. Making these upfront payments—in instead of the standard payment-on-delivery method for carbon credits—helps reduce the initial heavy capital constraints involved in projects and stimulates new investment. In addition, it cofinances projects with ADB, providing additional resources over and above those that ADB can provide on its own.

Sweden also supports the Greater Mekong Subregion Core Environment Program, its backing extended until the end of 2011. In late 2007, it provided SKr78 million ($11 million equivalent). Through the program’s Biodiversity Conservation Corridors Initiative, it aims by 2015 to establish biodiversity conservation landscapes and corridors for maintaining ecosystems. This helps address the issue of ecosystem fragmentation resulting from economic development in the Mekong region. The program will also ensure that GMS investments are environmentally sustainable and that environmental considerations are included in planning.

Additionally, Sweden committed $4.7 million to the multidonor Clean Energy Fund under the Clean Energy Financing Partnership Facility, also supported by Australia, Japan, Norway, and Spain. ADB aims to raise some $250 million for the facility’s three funds—which also includes the single-donor Asian Clean Energy Fund supported by Japan and the newly established Carbon Capture and Storage Fund supported by Australia—as part of its goal of leveraging at least $2.0 billion in clean energy investment by 2013. Clean energy encompasses renewables, energy efficiency, and cleaner fuels. As of the end of 2010, the facility had allocated $64 million ($36 million in 2010) to 69 projects.

Together with Norway, meanwhile, Sweden supports ADB’s Poverty and Environment Fund (PEF), which finances small-scale activities covering a range of interventions where environmental management plays a role in poverty reduction. In 2008, Sweden contributed about $2.2 million (for a total commitment of $3.45 million). Interventions are focused on projects promoting community-based resource management and sustainable use of resources. Lessons learned from the projects are fed into ADB’s main operations, while the PEF also provides environmental expertise to ADB country missions.
Health Care and Education

In another area important to Swedish development assistance, Sida in 2005 provided a $5.0 million grant to the Second Urban Primary Health Care project in Bangladesh. It joined the United Kingdom and the United Nations Population Fund in this innovative tie-up of local governments and nongovernment organizations (NGO) in delivering primary health care to poor communities.

The public-private partnerships provide facilities and services to six city corporations and five municipalities across Bangladesh. Building on an earlier ADB-funded project, it reaches underserved communities and, in particular, improves child and maternal health in areas where mortality rates remain high.

Child and maternal ill-health are high in Bangladesh with almost half of women and 78% of children aged 6–11 months suffering from anemia, and 48% of children under 5 underweight, 13% severely so. Antenatal care is poor and just 6% of births take place in health care facilities. The project offers more accessible health care in 116 NGO-run primary health care centers and 9 comprehensive reproductive health care centers. Another 64 health care facilities were planned. The second phase of the project, which began in 2005, will run through to the end of 2011.

Sweden has also taken part in the $1.825 billion Second Primary Education Development Program of 2003–2011 in Bangladesh. With cofinancing of $740 million from 11 donors, the project is helping transform primary education in the country, its success inspiring a third phase, now under preparation. Sweden provided a grant of $29 million in 2003.

Despite an impressive 98% primary school enrolment rate, 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 is that 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 about 45,000 new teachers, built over 30,000 classrooms, and provided refresher courses to trained staff. About 105,000 teachers received a Certificate of Education, 16,000 received subject-based training, and 5,700 new head teachers were trained. This eventually enabled more than 20% of schools covered by the program to move to a single teaching shift, among many other reforms.

The Third Primary Education Development Program is now in the works and will include forthcoming investments amounting to more than $8 billion, with grants from cofinancing partners estimated at more than $1.0 billion.

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

See table on page 10 and 11 for cumulative official loans, grants, and trust funds.
### Trust Funds

<table>
<thead>
<tr>
<th>Year</th>
<th>Agreement Facility/Agreement Contribution</th>
<th>Status of Funds (as of 30 June 2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>Cooperation Fund for Technical Assistance</td>
<td>1,750,000 Fully committed</td>
</tr>
<tr>
<td>2003-2008</td>
<td>Poverty and Environment Fund (Multidonor Cooperation Fund with Norway and Sweden as contributors)</td>
<td>1,276,000 - 2,174,000 Fully committed</td>
</tr>
<tr>
<td>2005</td>
<td>Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific</td>
<td>14,090,000 - 5,000,000 Fully committed</td>
</tr>
<tr>
<td>2007</td>
<td>Asia Pacific Carbon Fund (with Belgium, Finland, Luxembourg, Portugal, Spain, and Switzerland as co-contributors)</td>
<td>15,000,000 Available for commitment</td>
</tr>
<tr>
<td>2008</td>
<td>Future Carbon Fund under the Carbon Market Initiative (with Belgium, Finland, and Sweden as co-contributors)</td>
<td>20,000,000 Available for commitment</td>
</tr>
<tr>
<td>2008</td>
<td>Clean Energy Fund under the Clean Energy Financing Partnership Facility (Multidonor fund with Australia, Norway, and Spain as co-contributors)</td>
<td>4,773,000 Available for commitment</td>
</tr>
<tr>
<td>2009</td>
<td>Urban Environmental Infrastructure Fund under Urban Financing Partnership Facility (Multidonor Trust Fund)</td>
<td>14,000,000 Available for commitment</td>
</tr>
<tr>
<td></td>
<td>(Multidonor – Guarantee facility)</td>
<td>72,000,000 Available for commitment</td>
</tr>
</tbody>
</table>

*Inclusive of contributions from other bilateral sources.*

### Direct Value-Added Cofinancing

<table>
<thead>
<tr>
<th>Year</th>
<th>Projects</th>
<th>ADB</th>
<th>Sida</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bangladesh</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Emergency Flood Damage Rehabilitation</td>
<td>152.30</td>
<td>14.70 (G)</td>
</tr>
<tr>
<td>2005</td>
<td>Second Urban Primary Health Care</td>
<td>40.00</td>
<td>5.00 (G)</td>
</tr>
<tr>
<td>2003</td>
<td>Second Primary Education Development Program (Sector Loan)</td>
<td>100.00</td>
<td>29.00 (G)</td>
</tr>
<tr>
<td>1997</td>
<td>Third Rural Infrastructure Development</td>
<td>62.40</td>
<td>7.10 (L)</td>
</tr>
<tr>
<td><strong>Cambodia</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>Commune Council Development</td>
<td>10.00</td>
<td>3.57 (G)</td>
</tr>
<tr>
<td><strong>Sri Lanka</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>North East Community Restoration and Development II</td>
<td>40.00</td>
<td>5.90 (G)</td>
</tr>
<tr>
<td><strong>Viet Nam</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>Health Care in the Central Highlands</td>
<td>20.00</td>
<td>5.58 (G)</td>
</tr>
</tbody>
</table>

_G = grant, L = loan, Sida = Swedish International Development Cooperation Agency._

### DVA and Non-DVA Cofinancing

<table>
<thead>
<tr>
<th>Number of Projects</th>
<th>Grants</th>
<th>Loans</th>
<th>Commercial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DVA</strong></td>
<td>-</td>
<td>63.75</td>
<td>7.10</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-DVA</strong></td>
<td>10</td>
<td>14.40</td>
<td>35.0</td>
<td>65.40</td>
</tr>
</tbody>
</table>

*a Direct value-added (DVA) cofinancing is cofinancing with contractual obligations subject to ADB Board approval. That is, it is cofinancing for which ADB assumes financial, fiduciary, and/or administrative responsibilities in implementation, and for which ADB resources are committed. Non-DVA is simply cofinancing that is not DVA cofinancing.

b Since Sweden began cofinancing with ADB.
## Trust Funds

<table>
<thead>
<tr>
<th>Year of Agreement</th>
<th>Facility/Agreement</th>
<th>Contribution ($)</th>
<th>Status of Funds (as of 30 June 2010)</th>
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<td>1,750,000</td>
<td>Fully committed</td>
</tr>
<tr>
<td>2003</td>
<td>Poverty and Environment Fund</td>
<td>1,276,000</td>
<td>Fully committed</td>
</tr>
<tr>
<td>2008</td>
<td>Total (Multidonor Cooperation Fund with Norway and Sweden as contributors)</td>
<td>3,450,000</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific</td>
<td>14,090,000</td>
<td>Fully committed</td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td>5,000,000</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Asia Pacific Carbon Fund (with Belgium, Finland, Luxembourg, Portugal, Spain, and Switzerland as co-contributors)</td>
<td>15,000,000</td>
<td>Available for commitment $150.8 million *</td>
</tr>
<tr>
<td>2008</td>
<td>Future Carbon Fund under the Carbon Market Initiative (with Belgium, Finland, and Sweden as co-contributors)</td>
<td>20,000,000</td>
<td>Available for commitment $112.8 million</td>
</tr>
<tr>
<td>2008</td>
<td>Clean Energy Fund under the Clean Energy Financing Partnership Facility (Multidonor fund with Australia, Norway, and Spain as co-contributors)</td>
<td>4,773,000</td>
<td>Available for commitment $1.5 million *</td>
</tr>
<tr>
<td>2009</td>
<td>Urban Environmental Infrastructure Fund under Urban Financing Partnership Facility (Multidonor Trust Fund) (Multidonor – Guarantee facility)</td>
<td>72,000,000</td>
<td>Available for commitment $72.0 million</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Inclusive of contributions from other bilateral sources.
Partnership Brief
Cofinancing with Sweden

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.

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