

# Strategy for Sweden's Cooperation with **the Asian Development Bank (AsDB)**

2016 – 2019



REGERINGSKANSLIET

Government Offices  
of Sweden



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## **Organisation strategy for Sweden's cooperation with the Asian Development Bank (AsDB) 2016–2019**

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### **1. Introduction**

#### *Scope of the strategy*

This strategy forms the basis of Sweden's cooperation with the Asian Development Bank (AsDB) for the period 2016–2019. The strategy will also guide Sweden's positions in negotiations on the twelfth replenishment of the Asian Development Fund (AsDF12) which will be concluded in 2016<sup>1</sup>. The outcome of the negotiations will be important for how the AsDB contributes to the implementation of the 2030 Agenda for Sustainable Development and its global goals that were adopted in September 2015. The strategy covers funds as authorised by the Riksdag.

The strategy is guided by the Policy for Global Development (Govt Bill 2002/03/122) and its overarching objective of contributing to equitable and sustainable global development, and the Government's strategy for multilateral development cooperation. The organisational assessment of the AsDB approved by the Government Offices (Ministry for Foreign Affairs) in September 2015 also forms part of the basis for the strategy.

The Asian Development Bank has two main areas of activity: providing loans to governments and private companies in the countries of operation, and providing grants and technical assistance to the poorest and most vulnerable countries in the region.

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<sup>1</sup> AsDF12 will be operational between 2017 and 2020.

### *AsDB's mandate*

The AsDB has existed since 1966 and Sweden was one of the 31 countries that helped found the organisation. The overarching objective of the Bank is to fight poverty in Asia and the Pacific region with three overarching areas for the organisation's work: i) inclusive economic growth, ii) environmentally sustainable growth, and iii) regional integration.

The Bank's strategic framework extends until 2020. A mid-term review of the strategy was concluded in 2014, at which time a number of measures were adopted to focus and streamline the organisation's activities. This involves a clearer focus on inclusive growth, environmental and climate issues and regional integration, and also a reform package for internal streamlining processes. In accordance with the mid-term review, three sectors will be given increased priority: i) infrastructure, ii) health and education, and iii) climate change, vulnerability and resilience. Increased lending and technical support to promote financial and private sector development will also be prioritised.

Work will begin in 2016 to again update the strategic focus, with the aim of increasing the Bank's competitiveness and defining its role and comparative advantages in implementing the 2030 Agenda, the Addis Ababa Action Agenda and the Paris climate agreement.

## **2. Direction and Swedish priorities**

With its overarching mandate to promote development and combat poverty, the AsDB is highly relevant for the Government's overarching objective for Sweden's development cooperation, namely to create a situation in which the living conditions of people living in poverty and oppression can be improved. Through Sweden's share of capital stock in the Bank and with regular financial core support to the Asian Development Fund (AsDF), as well as contributions to the AsDB's trust funds, the Government is contributing to the Bank's operational objectives, which are set out in its strategic framework.

Sweden's development cooperation is to be economically, socially and environmentally sustainable, and also gender-equal. The basis of development cooperation is a holistic view of the challenges, needs and situation of people and societies. The guiding principle is that economic, social and environmental conditions and processes must be understood and managed in an integrated context. Gender equality, and the empowerment and rights of women and girls, are both goals in themselves and a prerequisite and a means for achieving sustainable global development.

Sweden's development cooperation with the AsDB is based on and characterised by a rights perspective and the perspectives of the poor. The rights perspective means that human rights and democracy are to be seen as fundamental to development. An approach of this kind involves giving visibility to discriminated, excluded and marginalised individuals and groups before initiating any measure. This is so that all people, regardless of gender, age, impairment, ethnicity, religion or other belief, sexual orientation, transgender identity or expression, will be able to enjoy their rights. The perspectives of the poor means that the situation, needs, conditions and priorities of poor women, men and children must be the point of departure for fighting poverty and promoting equitable and sustainable development. This includes active efforts on sexual and reproductive health and rights (SRHR).

Despite significant development and, to some extent, high and rapid growth in recent years, Asia is still marked by deep and widespread poverty and widening gaps between and within countries. Some of the countries in the region are currently defined as middle income countries thanks to economic growth, but at the same time a large proportion of the region's total population live in low income countries or in pockets of poverty in the middle income countries. Two thirds of the world's poorest people are estimated to live in Asia. Strong economic growth has in part come about at the expense of the environment and sustainability, and major shortcomings in gender equality hamper development in the region. Furthermore, violence and armed conflict or post-conflict issues are among the biggest obstacles to economic and social development in some parts of Asia. The situation regarding human rights, democracy and the rule of law is varied and, in many cases, problematic, showing a negative trend.

In light of the above, an environmental and climate perspective, a gender perspective and a conflict perspective, with a holistic view of causes and solutions, must be systematically integrated into Sweden's development cooperation with the AsDB. Furthermore, the link between humanitarian activities and long-term development cooperation must be strengthened.

The AsDB is to contribute to the implementation of the 2030 Agenda, the Addis Ababa Action Agenda and the Paris Agreement on climate change in an Asian context. The Government considers that the AsDB should continue to develop its activities, primarily in four areas: sustainable, inclusive economic development, environment and climate, gender equality and peace- and statebuilding. The Government intends to pursue the priorities stated below in cooperation with the AsDB. Emphasis will be placed on influencing policy level decisions.

### *Sustainable, inclusive economic development*

- The AsDB is to contribute to measures that strengthen the conditions for poor women and men to participate equally in economically, socially and environmentally sustainable growth processes. The link between the extensive infrastructure investments the Bank is making and growth that benefits poor people should be further developed. It is primarily a matter of ensuring that measures are prioritised and designed with the intention of creating better opportunities for poor women and men to take part in economically, socially and environmentally sustainable growth.
- The AsDB is to increase focus on institution-building that strengthens a democratic, open and efficient administration in line with the rule of law. This could be done through strengthened efforts to combat corruption, greater domestic resource mobilisation, reduced tax evasion, improved accountability and strengthened public financial management.
- The AsDB is to adopt a clear and robust regulatory framework for environmental and social standards for investment projects that is to include a reference to the importance of respecting human rights, including the ILO Core Conventions and the UN Guiding Principles on Business and Human Rights<sup>2</sup>. The application and follow-up of the standards are to be rigorous, and adequate resources must be set aside for this.
- The AsDB is to promote an investment-friendly climate. Particular focus should be placed on more inclusive and efficient markets and opportunities for poor people to take part in growth processes through the creation of productive job opportunities with decent working conditions. The AsDB is to increase its financing and advisory services of benefit to sustainable private sector development in the poorest countries, including increased efforts for women's and young adults' entrepreneurship.
- The AsDB is to increase and develop support to free and fair trade as an instrument for poverty reduction.

### *Environment and climate*

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<sup>2</sup> The UN Guiding Principles on Business and Human Rights are relevant to AsDB's lending involving the private sector.

- The AsDB is to systematically integrate the environment and climate perspective in all activities, with a special focus on implementation in partner countries, not least through policy level advice.
- The AsDB is to give partner countries support in the process of implementing their NDCs<sup>3</sup>. Investments in, and support for, fossil energy are to be ultimately phased out. The AsDB is to considerably reduce such investments and substantially increase investments in renewable energy and adopt ambitious and time-set goals to increase the share of investments in renewable energy. The AsDB is also to promote reduced emissions from existing infrastructure and increase investments in energy efficiency. The AsDB is to work towards the phasing out of subsidies for fossil fuels.
- The AsDB is to develop, support and channel innovative environment- and climate-related financing (such as green bonds) and support the inclusion of sustainability aspects and the assessment of life-cycle costs in procurements. The AsDB is also to develop and support market mechanisms that promote the transition to low-carbon development, including putting a price on greenhouse gas emissions.
- The AsDB is to strengthen efforts for the environmentally sustainable use of natural resources and ecosystem services, as well as the sustainable handling of chemicals and waste. This also includes promoting incentives for the private sector to make sustainable investments.
- The AsDB is to contribute to strengthened capacity in partner countries to prevent, handle and reduce vulnerability to disasters.

### *Gender equality*

- The AsDB is to systematically integrate the gender perspective in all activities, including by implementing the AsDB's 'Action plan on gender', with special focus on implementation in partner countries, not least through policy level advice.

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<sup>3</sup> *Nationally Determined Contributions*, i.e. the voluntary commitments of countries under the Paris Agreement.

- The AsDB is to particularly focus on women's economic empowerment.
- In all its activities, the AsDB is to proceed from a rights-based perspective.
- The AsDB is to ensure there are adequate internal resources and institutional capability to effectively pursue gender equality work.
- The AsDB is to ensure that results in the area of gender equality are followed up and evaluated systematically.

### *Peace- and statebuilding*

- The AsDB is to systematically integrate a gender-sensitive conflict perspective in its activities with the aim of identifying the conditions for sustainable conflict prevention and peacebuilding in countries affected by conflict and fragile situations.
- The AsDB is to strengthen financing to countries affected by conflict and fragile situations. The instruments for these purposes should cater for long-term needs and be effective, and at the same time meet the need for rapid action and flexibility. To be relevant, the instruments should also be adapted to the more difficult risk scenario and the volatility of countries affected by conflict and fragile situations. In its peace- and statebuilding activities, the AsDB is to increase its focus on women's participation as actors for peace in accordance with UN Security Resolution 1325 and subsequent resolutions on women, peace and security.
- The AsDB is to ensure that projects and financing are based on the peace- and statebuilding objectives in the New Deal and its principles for cooperation and confidence-building, and that the Bank cooperates with other development actors in fragile states.

### **3. Priorities concerning the organisation's working methods**

Extensive reform efforts within the AsDB were initiated in 2014 as follow-up of the mid-term review of the Bank's long-term strategy. Reforms were implemented to reduce processing times and increase the cost-effectiveness of programmes and projects through such means as improved procurement procedures and increased decentralisation. The

Government Offices considers that even at present, the AsDB is an organisation with a high degree of internal efficiency.

Time for implementation and evaluation should be given to the extensive reforms now being carried out before new larger organisational changes are considered. However, it is important to closely follow the implementation and consequences of the efficiency efforts, not least as regards internal gender equality work. It is also important to ensure that the Bank does not disregard its high standards for matters such as social and environmental responsibility requirements in its quest to simplify and improve its handling of programmes and projects. The AsDB should instead make use of the considerable potential of better lending capacity and improved procurement and initiative management procedures to strengthen its role and contribute to socially, economically and environmentally sustainable development in the countries of operation.

Based on the Government Offices' assessment of the AsDB, the Government intends to pursue a number of issues concerning the organisation's working methods. The Government considers that the impact of these issues may help to achieve the expected results presented in Section 2 above.

- The AsDB is to use the organisation-wide results framework, which is of a high standard and in line with the overall strategy, not least to enable accountability.
- The increased lending volume planned by the AsDB should lead to reduced administrative costs in relation to the lending volume.
- Through the increased use of guarantee instruments, the AsDB is to strengthen its capacity for project preparations and implementation of projects in difficult environments, with greater emphasis on gender equality and the environment and climate.
- It is also to emphasise the importance of a strong and independent evaluation unit to ensure high standards in its operations and effective accountability.

#### **4. Advocacy channels for implementing the strategy**

Sweden is represented on the AsDB board by a common board member for Sweden, Norway, Denmark, Finland, Ireland, the Netherlands and Canada.

The Government will take the following actions to ensure that the Swedish priorities stated in Section 2 above have an impact:



- During the replenishment negotiations for AsDF12, act to ensure that Swedish priorities and objectives have an impact.
- Actively contribute to the work of the board and feed in Swedish positions in the negotiations and discussions that take place on the Bank's board and its committees.
- Conduct bilateral influence activities, including coherent dialogue and targeted measures on individual issues at both political and civil servant level.
- Cooperate closely with relevant agencies, not least missions abroad and the Swedish International Development Cooperation Agency (Sida).
- Promote hiring Swedes to the AsDB.
- Cooperate with like-minded countries.
- Promote the use of Swedish expertise in procurements, e.g. in the area of environment and sustainability.

## **5. Support to the AsDB's trust funds**

Sida (and where necessary other Swedish agencies that provide support to the AsDB) is to consult with the Government Offices (Ministry for Foreign Affairs and other relevant ministries) before deciding on larger financial contributions in relation to Sweden's core support to the organisation, or support to strategy policy development or a thematic area.

Sweden's financing is to continue focusing on the AsDB's trust funds, in line with this strategy. Support to thematic trust funds where the AsDB has a significant operational role must mainly follow the direction set out in this strategy. In special cases, it may be of strategic interest to contribute to knowledge exchange and take part in subject development with the AsDB in areas not covered by this strategy. In such cases, this must be justified by the party intending to provide the support in question and the Government Offices (Ministry for Foreign Affairs and other relevant ministries) must be consulted about the support.

Sida (or another agency where relevant) may grant support to the AsDB at regional and national level. This support is governed by special strategies for countries, regions or thematic areas. If the strategies specify a different direction than this strategy, any deviations in support to the AsDB must be clearly justified by the relevant agency, and the

Government Offices (Ministry for Foreign Affairs and relevant ministries) must be consulted. Synergies with the priorities in this strategy should be actively sought.

## **6. Follow-up**

This strategy is to be followed up continuously, including at the organisation consultations that are held between the Government Offices (Ministry for Foreign Affairs and other relevant ministries), Sida and other relevant agencies. Organisation consultations are to be held once a year.



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