

ASIAN DEVELOPMENT BANK

COOPERATION FUND FOR FIGHTING THE HUMAN IMMUNODEFICIENCY VIRUS / ACQUIRED IMMUNODEFICIENCY SYNDROME (HIV/AIDS) IN ASIA AND THE PACIFIC

February 2005

ABBREVIATIONS

ADB	–	Asian Development Bank
AIDS	–	acquired immune deficiency syndrome
CFA	–	channel financing agreement
DMC	–	developing member country
HIV	–	human immunodeficiency virus
MDG	–	Millennium Development Goal
NGO	–	non-government organization
RSDD	–	Regional and Sustainable Development Department
TA	–	technical assistance
UNAIDS	–	Joint United Nations Programme on HIV/AIDS

NOTE

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

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I. INTRODUCTION

1. In Asia and the Pacific at the end of 2004, the Joint United Nations Programme on HIV/AIDS (UNAIDS) estimates that 8.2 million people were living with HIV¹ and the associated disease condition of AIDS², including 2.3 million women. This increased from 7.2 million in 2002 (women, 1.9 million).³ UNAIDS estimates that in 2004, 1.2 million people in the region became infected with HIV and 540,000 adults and children died from AIDS.⁴ The rapid increase of infections among women is particularly marked. In Cambodia, Myanmar, Papua New Guinea, Thailand, and several states of India the epidemic is firmly established in the general population. In other countries (e.g., People's Republic of China, Indonesia, and Viet Nam), low overall population prevalence rates disguise high, and rapidly growing, infection rates in specific population groups. On its current course, it is only a matter of time before the epidemics in these countries become generalized in the population. Central Asia is the region in the world with the fastest growing HIV/AIDS epidemic, mostly associated with injecting drug use⁵ while the epidemic in small Pacific island countries grows steadily with many characteristics different from those in Asia. According to the United Nations,⁶ in the Asian Development Bank (ADB)'s member countries of the South Asia, Southeast Asia, and Mekong subregions, more than 25% of adults and 50% of young people living with HIV/AIDS are women representing what is now known as the "feminization" of the epidemic in all regions.

2. In 2002, Dr. Peter Piot, the Executive Director of UNAIDS, stated: "The epidemic in Asia threatens to become the largest in the world. With more than half the world's population, the region must treat AIDS as an issue of regional urgency. The question is no longer whether Asia and the Pacific will have a major epidemic, but rather how massive it will be."⁷ The goal for the Asian Development Bank (ADB) is to be an effective partner to its developing member countries (DMCs) in addressing this challenge.

II. THE ASIAN DEVELOPMENT BANK AND THE FIGHT AGAINST HIV/AIDS IN ASIA AND THE PACIFIC

3. ADB has supported a number of activities in relation to HIV/AIDS through a range of mechanisms. Since the early 1990s, ADB has supported several projects, including interventions that focus on cross-border areas and mobile populations in the Mekong region, a joint World Health Organization-ADB care and treatment initiative in Papua New Guinea, studies on the economic implications of HIV/AIDS in its DMCs,⁸ as well as providing support for the Asia and Pacific regional conferences (1997 and 2000). ADB also has a growing body of experience in designing HIV/AIDS components for integration with road projects. Such projects present a confluence of risk factors for the spread of HIV—mobile worker populations, especially young

¹ Human immunodeficiency virus.

² Acquired immunodeficiency syndrome.

³ The UNAIDS categorization of Asia comprises ADB's South Asia, South East Asia and Mekong countries plus the People's Republic of China. Separate data for ADB's developing member countries in the Central Asia and Pacific subregions are not available.

⁴ UNAIDS and WHO. 2004. *AIDS Epidemic Update*. Geneva.

⁵ UNAIDS. 2003. *Eastern Europe and Central Asia Fact Sheet*. Geneva.

⁶ UNAIDS, UNFPA, UNIFEM. 2004. *Women and HIV/AIDS: Confronting the Crisis*. Geneva.

⁷ UNAIDS. *AIDS Epidemic in Asia May Become the Largest in the World, Says UNAIDS: Investing in Prevention and Care makes Good Economic Sense*. Press Release, 7 October 2002.

⁸ For example, the 1993 study on the economic implications of the HIV/AIDS epidemic in selected DMCs (the People's Republic of China, Indonesia, Myanmar, and Thailand) and two publications in 2004, *Asia's Economies and the Challenge of AIDS* (ADB, Manila, April 2004) and *Asia-Pacific's Opportunity: Investing to Avert an HIV/AIDS Crisis* (ADB and UNAIDS, July 2004).

men; commercial sex workers and/or recreational drug users; disposable income; and new mechanisms for mobility, including cross-border movements. Targeted prevention and control interventions to be implemented by skilled non government organizations (NGOs) have been included in roads project loans for Bangladesh, People's Republic of China (Yunnan province), India, Kyrgyz Republic, Lao People's Democratic Republic, Mongolia, and Pakistan.

4. ADB recognizes that more needs to be done to effectively address the challenges that HIV/AIDS poses to the region. Under the eighth replenishment of the Asian Development Fund (ADF IX), finalized in May 2004, ADB's donors have earmarked 2% of funds to be provided as grant financing for projects focused on HIV/AIDS and other infectious diseases. ADB has prepared a paper on strategic directions for its activities in relation to HIV/AIDS through a consultative process with internal and external stakeholders. The opportunities for ADB to be involved in the regional HIV/AIDS response fall in three main categories: (a) through strengthening the commitment and capacity of regional leaders to address HIV/AIDS, especially in non-health sectors such as finance, transport and other infrastructure; (b) through capacity building at regional, subregional and country levels to address HIV/AIDS; and (c) through targeted programs that expand HIV/AIDS interventions to mitigate risk among the poor, the vulnerable, and people with high-risk behavior.⁹

III. RATIONALE FOR THE COOPERATION FUND

5. In 1999, ADB adopted fighting poverty as its over-arching goal. The Poverty Reduction Strategy¹⁰ enunciates that goal. ADB's support to its DMCs in achieving the Millennium Development Goals (MDGs) focuses the effort. HIV/AIDS and poverty are inextricably linked and the achievement of each MDG will be undermined by the continuing spread of HIV/AIDS. Poor people are more vulnerable to infection: they often lack education and information about the disease, and they sometimes engage in high-risk behavior (such as commercial sex) to earn income. Poor people are also more adversely affected by the debilitating effects and costs of illness and die sooner. Infection with HIV/AIDS exacerbates and leads to poverty. The inability to work, the cost to a household of care and treatment, and the risk of children being left without financial support and parents or other caregivers to raise them drives the poverty cycle across generations. ADB's Gender and Development Policy (2003)¹¹ also recognizes the special vulnerability of women to poverty and poverty's impacts as well as the need to improve the status of women as an integral part of the fight against poverty. Never has this been more true than in addressing the nexus between poverty and HIV/AIDS.

6. While the fight against HIV/AIDS is multi-pronged and multi-sector, with national government efforts bolstered and complemented by a range of donor, international agency, and NGOs activities, ADB can strategically enhance and contribute to these efforts. As the regional multilateral development institution committed to poverty reduction, ADB can assist DMCs to strengthen their fight against HIV/AIDS through strategic initiatives and support on a regional, subregional and national basis. With extensive regional and subregional networks, knowledge sharing and ongoing dialogues with government leaders, particularly in non-health sectors, ADB can enhance necessary leadership and advocacy efforts through example and dialogue. The establishment of a cooperation fund to fight HIV/AIDS in Asia and the Pacific will provide a dedicated source of grant funding for this purpose.

⁹ In the Asia and Pacific region, high-risk groups are identified as being predominantly injecting drug users, commercial sex workers, and men who have sex with men.

¹⁰ Asian Development Bank. 1999. *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy*. Manila.

¹¹ Asian Development Bank. 2003. *Policy on Gender and Development*. Manila.

IV. OBJECTIVES AND SCOPE

7. The goal of the Cooperation Fund will be to assist ADB's DMCs in their fight against HIV/AIDS and their efforts to meet MDG 6 (Target 7): "have halted by 2015, and begun to reverse, the spread of HIV/AIDS". The objective will be to support and strengthen the efforts of DMCs in developing comprehensive responses to the HIV/AIDS epidemic with a focus on current and new areas where partnership with ADB will be of strategic value. Priority will be given to activities that will occur in subregions, countries, or communities that are especially poor and vulnerable to, or affected by, HIV/AIDS. The Cooperation Fund will finance a coherent program (the Program) aimed at providing assistance to DMCs in formulating and implementing subregional and national HIV/AIDS action plans and interventions, while at the same time enhancing the value of ADB's efforts in this area. The Cooperation Fund will be a multidonor umbrella facility to promote effective HIV/AIDS interventions at the regional, subregional and country level. The Government of Sweden will make the first contribution to the Cooperation Fund. All activities will be consistent with, and supportive of, the principles described in Appendix 1.

8. The Program, financed by the Cooperation Fund, will be implemented at regional, subregional and country levels, by ADB's headquarters and by resident missions. Circumstances will differ between subregions and countries and priorities will also differ according to the nature of the epidemic. A well-substantiated understanding of the medical, economic, socio-cultural, institutional, and legal factors that underlie the epidemic and its spread should be the basis for all activities included in the Program. Attention to the gender dimension of HIV/AIDS, consistent with ADB's Gender and Development Policy, will be required for all Program activities.

9. The activities financed by the Cooperation Fund will complement the activities of international organizations and bilateral donors. ADB commits itself to maximizing collaboration and minimizing unwarranted overlap with other major donors and development partners in the implementation of the Program and, at the country level, to respect and adhere to the UNAIDS principles of "three ones": one agreed HIV and AIDS national strategy that provides the basis for coordinating the work of all partners; one national AIDS coordinating authority with a broad based multi-sector mandate; and one agreed country-level monitoring and evaluation system. ADB will consult regularly (and in a formal way, at least annually) and work collaboratively with UNAIDS at a regional and subregional levels and at a country level where Program activities are implemented.

V. ACTIVITIES TO BE FINANCED FROM THE COOPERATION FUND

10. Activities to be financed from the Cooperation Fund will fall within the following three categories:

- (i) **Category 1: Pilot demonstration.** Activities in this category will support the demonstration of innovative approaches to fighting HIV/AIDS with a focus on integrating HIV/AIDS in ADB's non-health sector operations. Support will be given to developing new approaches during the processing and implementation of project preparatory and advisory technical assistance (TA) and loan-financed investment projects, as well as stand-alone projects as appropriate. Special attention will be provided, on a selective basis, to pilot testing initiatives and approaches that directly address the constraints and needs in HIV/AIDS

prevention and care faced by the poor and vulnerable, including women,¹² people with high-risk behavior, and people living with HIV/AIDS and their families. Examples might include HIV/AIDS prevention programs for migrant workers on ADB-supported road and other infrastructure projects, HIV/AIDS education curriculum components of ADB education projects, and HIV/AIDS action plans associated with tourism development projects. It is anticipated that NGOs and other locally based institutions will play a key role in the design and implementation of such projects. ADB recognizes the critical role they play in effective HIV/AIDS responses. ADB's Regional Departments will be the main proponents of these activities. Results indicators for this category will be specified in the guidelines for program implementation.¹³

- (ii) **Category 2: Knowledge base, policy and capacity building.** Activities in this category will help develop the knowledge base on which HIV/AIDS activities in the Asia and Pacific region are planned and implemented, support policy development, and build capacity in the core competencies needed for a comprehensive response to HIV/AIDS in both DMCs and ADB. Public and private sector leaders, heads of communities, policy makers, and program planners need timely information tailored to their specific perspectives and areas of responsibility in responding to HIV/AIDS. ADB can support these needs, particularly in economic sectors and those areas relevant to ADB operations, and help assess the relationship between poverty and development and HIV/AIDS. The HIV/AIDS epidemic is characterized by its rapidly changing nature, the distinct cultural and sub-population factors that drive its continued spread, and by women's greater than men's exposure to the risks and impact of HIV/AIDS. Regular, high-quality, and gender-disaggregated data collation and review are needed, as well as analysis of lessons learned from monitoring and evaluation, to ensure that the knowledge base is accurate. An example of the activities that might be supported is the further development of ADB's partnership with UNAIDS in analyzing the financing needs and socio-economic impact of the epidemic in the region or in contributing to the establishment of gender-responsive policy and law frameworks aimed at preventing the spread of HIV/AIDS and protecting people living with HIV/AIDS from related stigma and discrimination. This work can be further developed to guide national responses and repeated at regular intervals as the situation changes. Because it is widely recognized that a critical constraint to the current response—much less any expanded response—to HIV/AIDS in the region is the lack of technically skilled, efficient, and effective human resource capacity, support will be given to facilitating and creating capacity-building opportunities, in government and civil society, in NGOs, and among people living with HIV/AIDS, with a specific focus on improving the efficient and effective delivery of HIV/AIDS prevention and care services and mitigating poverty impacts. Ultimately, the impact of any country or subregional response will only be only as good as the quality of resources—human and institutional—available to plan, implement, monitor, and evaluate every relevant intervention. ADB has experience in multi-sector capacity building and is therefore well placed to make a valued and strategic contribution, both for multi-

¹² Consistent with the approaches set out in ADB's Policy on Gender and Development (footnote 8).

¹³ For example, indicators may describe the number of ADB projects with HIV/AIDS components, and the number of people especially vulnerable to, or affected by, HIV/AIDS whose needs have been specifically addressed in ADB projects.

sector planning per se and for capacity to respond to HIV/AIDS outside the health sector at a national and subregional level. Results indicators for this category will be specified in the guidelines for program implementation.¹⁴

- (iii) **Category 3: Program coordination, technical support, monitoring and evaluation.** Activities in this category will support the coordination, monitoring, and evaluation of the Program financed by the Cooperation Fund. This support will include ADB's internal capacity and will ensure that all activities at a national and subregional level are consistent with national policies, subregional priorities, and enforcement of country-ownership and government leadership. Activities that promote partnerships, consultation, and involvement of civil society and people living with, and affected by, HIV/AIDS, as well as other development agencies will also be supported, as will activities that ensure that ADB's work is technically sound, innovative (where appropriate and needed), and linked with rigorous and timely monitoring and evaluation. A monitoring system will be established for all activities and outcomes financed under the Cooperation Fund, and a joint review of the activities by ADB and the participating donor(s) will be conducted annually. A midterm evaluation in the last quarter of 2006 will assess outcomes and impacts, and recommend follow-up activities as required. Results indicators for this category will be specified in the guidelines for program implementation.¹⁵

VI. IMPLEMENTATION ARRANGEMENTS

11. ADB will establish a steering committee at the director level to guide activity identification and selection in order to ensure consistency of such activities with the Cooperation Fund's goal and objective. There will be an HIV/AIDS focal point and secretariat for the Cooperation Fund's administration within the Regional and Sustainable Development Department (RSDD). The steering committee, supported by a technical peer review committee and the Cooperation Fund's secretariat, will guide the selection of activities to form part of the TA.

12. To commence implementation, a regional TA paper will be submitted for consideration by ADB's Board of Directors shortly after establishment of the Cooperation Fund. The TA will describe an annual program of priority activities in the three categories outlined in this paper. The regional TA and subsequent projects will be designed, processed, approved, and implemented according to ADB's procedures and guidelines.

13. The TA activities will be prepared and implemented by staff from ADB headquarters and resident missions with the assistance of consultants, if necessary, and under the coordination of the HIV/AIDS focal point in RSDD. The selection of activities and countries will be described in annual work programs, which will be agreed upon in accordance with the agreement between ADB and the participating donor(s). Additional proposals developed during the year can be incorporated into the work program after consultation with the participating donor(s). The TA paper will elaborate the criteria and internal procedures for prioritizing activities to be financed by the Cooperation Fund. The criteria will reflect that the activities are expected to (i) directly support the goal and objectives of this Cooperation Fund; (ii) where country-specific, support the implementation of the country's national HIV/AIDS policy or strategy; and (iii) strengthen the

¹⁴ For example, indicators may describe the number and quality of regional leaders' initiatives to fight HIV/AIDS, the number of HIV/AIDS-related knowledge products developed, and the number of gender-responsive policies, laws and projects approved.

¹⁵ For example, indicators may describe the number of projects receiving enhanced technical inputs on HIV/AIDS, an effectively functioning monitoring system for the Fund, and timely annual reports and consultations.

impact, efficiency, and effectiveness of HIV/AIDS-related activities in the country and/or subregion, including coordination and collaboration among donors and other development partners.

14. Within ADB, RSDD will prepare the annual work program in consultation with Regional Departments. RSDD will be responsible for coordination among departments in the processing and implementation of activities financed from the Cooperation Fund. Program administration guidelines will be developed and adopted following establishment of the Cooperation Fund.

15. ADB's *Guidelines on the Use of Consultants*, as amended from time to time, will apply in the selection and engagement of consultants to be financed under the Cooperation Fund, and any procurement of goods and other services under the Cooperation Fund for TA operations will be in accordance with ADB's *Guidelines for Procurement*, as amended from time to time.

16. In accordance with the agreement between ADB and the participating donor(s), RSDD will act as the official channel of communications between the participating donor(s) and ADB on the Cooperation Fund, and will submit the annual work program to the participating donor(s) 1 month before the start of the next 12 month period. The Office of Cofinancing Operations will monitor and report on the financial performance of the Cooperation Fund, and send 6-monthly financial statements to the participating donor(s). RSDD will send to the participating donor(s) an annual report. These will be prepared by the HIV/AIDS focal point in collaboration with operational departments concerned, resident missions, and the Office of Cofinancing Operations. The resident missions concerned will also have regular consultations with the local representatives of the participating donor(s) on the progress of the local projects financed by the Cooperation Fund. ADB will take account of the general principles described in Appendix 1, in implementing the program.

VII. FUNDING ARRANGEMENTS

17. It is proposed that the Government of Sweden make an initial contribution of SEK100,000,000 (approximately \$14.3 million), to be provided for an initial period of 4 years commencing in early 2005. At its discretion, the Government of Sweden may provide additional resources to the Cooperation Fund. The Government of Sweden's contribution will be remitted following the joint approval of an annual workplan and in accordance with Article 6.01 of the channel financing agreement (CFA) for the Cooperation Fund (Appendix 2).

18. Contributions to the Cooperation Fund will be made under the terms of the CFA between the donor(s) and ADB. Any new CFA established for the purposes of the Cooperation Fund will be approved by ADB's Management and sent to ADB's Board of Directors for information. Following establishment of the Cooperation Fund and initial contributions from the original donor(s), ADB will continue to actively pursue contributions from other donors through similar CFAs or parallel or joint financing of relevant activities.

19. Contributions from participating donor(s) under the Cooperation Fund will be deposited into separate United States dollar interest-bearing accounts to be specified by ADB. Interest earned on such amount will be used for the Cooperation Fund except in cases where it is specifically prohibited by the participating donor(s). The resources of the Cooperation Fund may be freely exchanged by ADB into other currencies as required for meeting disbursements. Any fees, including the service charge for administering the Cooperation Fund in accordance with the following paragraph and charges relating to the purchase of such other currencies, will be paid out of the Cooperation Fund.

20. The Cooperation Fund will be held by ADB on behalf of the participating donor(s) and will be administered separately from ADB's own resources. For administering the Cooperation Fund, ADB will be paid a service charge in accordance with ADB's policy on service charges for administration of grant cofinancing from bilateral sources.¹⁶ ADB may use part of the Cooperation Fund (and any interest thereon) to cover the service charge.

21. ADB will maintain records and accounts in accordance with its normal procedures to show expenditures financed by the Cooperation Fund. ADB will provide the participating donor(s) with periodic reports on the use of the Cooperation Fund and the activities financed thereunder. The reports will be made available to ADB's Board of Directors. ADB and the participating donor(s) will periodically review the administration and operation of the Cooperation Fund.

22. ADB will contribute to the program of activities to be financed from the Cooperation Fund in the form of (i) services provided by ADB headquarters and resident mission staff for project design, preparation, implementation, oversight, and accounting; and (ii) office, secretarial, and other equipment support.

23. Contributions from participating donor(s) will finance activities under the Cooperation Fund in accordance with the indicative annual work programs agreed upon between ADB and the donor(s).

VIII. RECOMMENDATION

24. It is recommended that the Board approve (i) the establishment of the proposed Cooperation Fund for Fighting the Human Immunodeficiency Virus / Acquired Immunodeficiency Syndrome (HIV/AIDS) in Asia and the Pacific and its administration in accordance with the provisions set forth in this paper, and (ii) ADB's entering into the channel financing agreement with the Government of Sweden in relation to its contribution to the Cooperation Fund substantially in the form of the draft attached hereto.

¹⁶ ADB. 2000. *Review of Service Charges for the Administration of Grant Cofinancing from Bilateral Sources*. Manila.

COOPERATION FUND FOR FIGHTING HIV/AIDS IN ASIA AND THE PACIFIC: GENERAL PRINCIPLES

The following general principles will apply to the implementation of the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific (“the Fund”):

- (i) The Fund will be open to all developing member countries (DMCs) of the Asian Development Bank (ADB) with priority given to:
 - (a) poorer DMCs;
 - (b) countries especially affected by, or vulnerable to, the HIV/AIDS epidemic;
 - (c) poor, vulnerable and high-risk groups¹ in countries where specifically targeted.
- (ii) Priority will be given to activities that can be appropriately integrated into ADB programs and projects and are consistent with ADB's country strategy and program.
- (iii) Activities financed by the Fund should be in line with, and supportive of, the UNAIDS established principles of “three ones” established by the Joint United Nations Programme on HIV/AIDS (UNAIDS):
 - (a) One agreed HIV and AIDS national strategy that provides the basis for coordinating the work of all partners;
 - (b) One national AIDS coordinating authority with a broad based multi-sector mandate; and
 - (c) One agreed country-level monitoring and evaluation system.
- (iv) Activities financed by the Fund should be genuinely additional and should not substitute for activities that would otherwise be financed by ADB.
- (v) In accordance with ADB's Gender and Development Policy, activities financed by the Fund should
 - (a) provide a gender assessment and analysis as it relates to HIV risk and impact when appropriate,
 - (b) be informed by principles of gender equality, and
 - (c) ensure the systematic integration of women's needs and concerns in the design and implementation of project activities.
- (vi) Activities financed by the Fund should play a catalytic role, with emphasis on innovation, pilot testing, dissemination of lessons, potential replication, mainstreaming, and upscaling of activities.
- (vii) The Fund should seek to support activities that facilitate the flow of funds directly to project implementation agencies, that can execute projects effectively and efficiently for maximum impact amongst those at greatest risk or most affected.

¹ In the Asia and Pacific region, high-risk groups are identified as being predominantly injecting drug users, commercial sex workers and men-who-have-sex-with-men.

AGREEMENT

Between

GOVERNMENT OF SWEDEN

and

ASIAN DEVELOPMENT BANK

in regard to a Grant to the

COOPERATION FUND FOR FIGHTING HIV/AIDS IN ASIA AND THE PACIFIC

Agreement between the Government of Sweden ("the Government"), as represented by the Swedish International Development Cooperation Agency ("Sida"), and the Asian Development Bank ("ADB").

WHEREAS, the Government wishes to provide a grant to support the fight against HIV/AIDS in Asia and the Pacific;

WHEREAS, the Government wishes to facilitate closer working relationships, policy dialogue and collaborative programming with ADB;

WHEREAS, the Government has indicated its intention to make available to ADB a grant (the "Grant") for the Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific established in accordance with the arrangements described in the ADB Board Paper '*Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific*' attached hereto as Annex 1 (the "Fund") for the purpose of financing all or part of the program of activities described in Article 3 of this Agreement (the "Program"), and has requested ADB to manage the Grant;

WHEREAS, the Government and ADB wish to conclude the present Agreement for the purpose of setting out the terms and conditions concerning the provision and the management of the Grant for the Program;

NOW THEREFORE, the Government and ADB have reached the following Agreement:

Article 1: Responsible Authorities

1.01 The Government designates Sida as the party responsible for the implementation of its obligations under this Agreement.

1.02 ADB designates the Office of Cofinancing Operations as the department responsible for the implementation of ADB's obligations under this Agreement pertaining to general communications and financial matters, and the Agriculture, Natural Resources and Social Sectors Division of the Regional and Sustainable Development Department as the department responsible for the implementation of ADB's obligations under this Agreement pertaining to the implementation of the Program and related technical matters, or such other department as ADB may specify.

Article 2: Amount of Grant

The Government will provide, on an untied grant basis, a grant in the amount of 100 Million Swedish Krona (SEK100,000,000) in accordance with Article 6.01 of this Agreement as an initial contribution to establish the Fund. Such amount, together with any additional amounts the Government may provide from time to time for the purpose of the Program, will constitute the Grant.

Article 3. The Program

3.01 The Program will consist of activities, as described in the Board Paper '*Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific*' (Annex 1) that will assist ADB's Developing Member Countries (DMCs, Annex 2) in their fight against HIV/AIDS. It will provide assistance to DMCs in formulating and implementing subregional and national HIV/AIDS action plans while at the same time enhancing the value of ADB's efforts in this area.

3.02 Within this context, the Grant will fund technical assistance projects (the "Projects") and other activities which may be agreed upon between the Sida and ADB. The activities eligible for funding under the Program are fully described in the Board Paper '*Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific*' (Annex 1).

Article 4: Recipients of the Grant

The recipients of the Grant (the "Recipients") will be ADB's DMCs and institutions operating in DMCs. All borrowing DMCs are eligible for assistance under the Program.

Article 5: Implementation of the Program

5.01 The identification, preparation, appraisal and supervision of the Projects which Sida finances pursuant to this Agreement will be the sole responsibility of ADB, and will be carried out by ADB in accordance with ADB's policies and procedures.

5.02 ADB will have the responsibility of selecting, processing, obtaining the necessary approvals from ADB's Management or Board for, and subject to this Agreement, establishing the terms and conditions of, Projects. Projects to be financed under the Program will be approved pursuant to the same procedures utilized for authorizing the use of resources administered by ADB.

5.03 ADB will be responsible for the procurement of goods and services and contracting of consultants, procurement of equipment, and supervision of Projects to be financed out of the proceeds of the Grant, and disbursements and procurement of consultants will follow ADB's *Guidelines on the Use of Consultants*, as amended from time to time and the procurement of goods and services will be in accordance with ADB's *Guidelines for Procurement*, as amended from time to time.

5.04 Swedish consultants will be given the same opportunities to compete for contracts as consultants from other countries.

Article 6: Contributions of the Grant

6.01 Sida will deposit, at the written request by ADB at each disbursement, the Grant of SEK100,000,000 in a US-dollar denominated interest bearing account specified by ADB (the "ADB account") following the joint approval of an annual work plan, in accordance with the following schedule or as otherwise mutually agreed between the Sida and ADB:

On March 31, 2005	SEK 40,000,000
On March 31, 2006	SEK 30,000,000
On March 31, 2007	SEK 30,000,000

6.02 ADB will make withdrawals from the ADB account as necessary to meet expenditures on Projects under the Program as agreed between Sida and ADB. If other currencies are required for payment to meet any eligible expenditure, ADB may purchase the required currencies with the proceeds of the Grant. Any fees and charges relating to such purchase will be paid out of the Grant.

6.03 For the purposes of this Agreement, the funds referred to in Article 6.01 above will be held, administered and invested at the discretion of ADB. Pending disbursements, ADB may invest and reinvest the proceeds of the Grant, and any income earned in respect of such investment and reinvestment, will be credited to the ADB account and used for the purposes of the Program and/or for costs related to any agreed external audit as described in Article 9.04 or to pay ADB's service charge for administering the Program in accordance with Article 8. Interest earned on the Grant shall be accounted for separately. On December 31, 2008 at the latest, the ADB will refund to Sida any interest income net of administration charges, and agreed audit costs.

6.04 Contributions due from Sida are conditional upon appropriation by the Parliament of Sweden for the fiscal year in which the contributions are made.

Article 7: Approval of Projects

7.01 ADB will inform Sida of Projects exceeding US\$500,000 financed under the Program, including their objectives, scope, beneficiaries, estimated costs and financing plan, executing agency, and implementation schedule.

7.02 Priority will be given to projects that will occur in subregions, countries or communities in Asia and the Pacific, which are especially poor and vulnerable to, or affected by, HIV/AIDS.

Article 8: Administration Fee

ADB may use part of the Grant (together with any income and interest earned thereon pursuant to Article 6.03 of this Agreement) to cover ADB's fee for the administration of the Grant, equal to five percent (5%) of the amounts disbursed under the Grant.

Article 9: Reports and Audits

9.01 ADB will have responsibility for the supervision and control of operations financed under the Grant in accordance with its standard procedures, but ADB will keep Sida informed with respect to the implementation of the Program as part of ADB's normal procedures for reporting.

9.02 ADB will, in accordance with its usual procedures: (i) furnish Sida with one narrative and one financial report annually and inform as Sida may reasonably request concerning the progress of the Program; and (ii) inform Sida promptly of any condition which interferes, or threatens to interfere, with the performance by ADB of its obligations under this Agreement. The narrative report will include reporting against the indicators for each category as described in the Board paper '*Cooperation Fund for Fighting HIV/AIDS in Asia and the Pacific*' (Annex 1).

9.03 ADB will maintain records and accounts in accordance with its normal procedures, to show contributions, interest income and expenditures financed by the Fund.

9.04 ADB will make available to Sida one external audit to be conducted by outside auditors at the end of the period covered by the Fund. The cost of the Audit shall be borne by the Fund. Sida has the right to also perform audit of the program accounts conducted and financed by Sida. At the request of Sida, ADB will produce special audit opinions and/or reports on the Grant. Such audits will be at Sida's expense.

9.05 This Agreement will not be assigned by either party without the prior consent of the other party.

9.06 ADB will exercise the same care in the discharge of its functions under this Agreement as it exercises with respect to the administration and management of its own affairs.

Article 10: Consultations and Review of Program

10.01 Sida and ADB will hold consultations each year in early March after this Agreement enters into force to review the operation of the Program and the results being achieved, with a view to confirming or revising the future scope of activities. ADB will be responsible for such consultations and shall provide Sida with draft programme, a draft agenda, and reports, as specified in article 9.02, at least 30 days in advance of any consultation.

10.02 Sida and ADB will consult in particular whenever either party proposes to: (i) modify materially any agreement entered into for the implementation of this Agreement; or (ii) suspend or terminate, in whole or in part, disbursements under this Agreement. ADB will inform Sida whenever ADB identifies a major change of scope in relation to any Project financed out of the proceeds of the Grant. Based on such information ADB and Sida will consult with each other.

10.03 Sida will maintain the prerogative to monitor, review and evaluate the Program activities, with the support of ADB. An external midterm evaluation will be conducted in the last quarter of 2006. The cost of the evaluation will be borne by the Fund (subject to further discussion with Sida), and terms of reference will be agreed on by Sida and ADB

Article 11: Replenishment

This Agreement may be extended by mutual written agreement of both parties to cover any additional funds, which the Government may from time to time make available for the purpose of the Program.

Article 12: Effectiveness and Termination of ADB's Responsibility

12.01 This Agreement will enter into force on the date it is signed by both parties. Unless terminated this agreement shall remain valid until 31 December 2008.

12.02 If it appears to either party that the cooperation envisaged by this Agreement can no longer appropriately or effectively be carried out, the Agreement may be terminated by one party giving ninety (90) days written notice to the other party. In the event of termination, ADB will have no claim against the Government by reason of such termination other than payment of expenses actually incurred in good faith under this Agreement up to the date of such termination, less any sums previously paid on account thereof; provided that such termination will not affect any agreements entered into between ADB and DMCs, consultants, other persons or third parties prior to ADB's receipt or giving of notice of such termination, and ADB will be entitled to continue to make disbursements and receive further advances from Sida in respect of such agreements as if this Agreement had not been so terminated. Unless otherwise agreed in writing by the parties, funds provided by the Government under this Agreement prior to its termination will, after the termination of this Agreement, continue to be governed by the terms of this Agreement. Any unutilized funds will be returned by ADB to SIDA.

Article 13: Environmental and other Protections

All Projects and activities funded under this Agreement will be subject to and comply with ADB's policies and procedures related to (i) environmental protection and environmental assessment (ADB Environment Policy, 2002); (ii) involuntary resettlement (The Bank's Policy on Involuntary Resettlement, 1995); and (iii) indigenous peoples (The Bank's Policy on Indigenous Peoples, 1988) or as amended from time to time.

Article 14: Anticorruption

In administering the Fund, ADB will fully implement its Anticorruption Policy (1998) or as amended from time to time.

Article 15: Addresses

Unless otherwise specified in writing to the other party, correspondence relating to the implementation of this Agreement will be addressed to the following:

(a) For the Government:

Sida
DESO/Health

Facsimile Number: +46 (0)8 698 56 47

Attention: Tomas Lundström

(b) For the ADB:

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 632-4444
Fax: (632) 636-2444
Email: information@adb.org

(i) General Communications and Financial Matters:

Facsimile Numbers: (63-2) 636-2456 (Direct)
(63-2) 636-2444 (Central)
Attention: Office of Cofinancing Operations

(ii) Implementation and Technical Matters:

Facsimile Numbers: (63-2) 636-2409 (Direct)
(63-2) 636-2444 (Central)
Attention: Agriculture, Natural Resources and Social Sectors
Regional and Sustainable Development Department

Article 16: Amendments

Any amendments and modifications to this Agreement will be made by mutual consent and in writing.

Article 17: Settlement of Disputes

17.01 The Government and ADB will seek amicably to settle any differences and disputes arising out of or in connection with the implementation of this Agreement. Any dispute, controversy or claim arising out of or relating to this contract, or the breach, termination, or invalidity thereof – which cannot be settled amicably within two (2) months after receipt by one party of the other party's request for such amicable settlement – will be settled by arbitration in accordance with the United Nations Commission on International Trade Law Arbitration Rules as at present force. The appointing authority will be the President of the International Court of Justice. The number of arbitrators will be one. The place of arbitration will be determined by the parties. The language to be used in the arbitral proceedings shall be English.

17.02 Any matter for which no provision is made herein will be determined in a manner mutually acceptable to the parties and, in this regard, each party will give serious consideration to any proposal advanced by the other party.

Signed:

For GOVERNMENT OF SWEDEN

For ASIAN DEVELOPMENT BANK

Name: Annika Söder
Title: Secretary for Development Cooperation

Name: Haruhiko Kuroda
Title: President

Annex 2.

ADB'S DEVELOPING MEMBER COUNTRIES

Afghanistan	Myanmar
Azerbaijan	Nauru
Bangladesh	Nepal
Bhutan	Pakistan
Cambodia	Palau
China, People's Republic of	Papua New Guinea
Cook Islands	Philippines
Fiji Islands	Samoa
Hong Kong, China	Singapore
India	Solomon Islands
Indonesia	Sri Lanka
Kazakhstan	Taipei, China
Korea, Republic of	Tajikistan
Kyrgyz Republic	Thailand
Lao People's Democratic Republic	Timor-Leste
Malaysia	Tonga
Maldives	Turkmenistan
Marshall Islands, Republic of the	Tuvalu
Micronesia, Federated States of	Vanuatu
Mongolia	Viet Nam, Socialist Republic of