

PSOD Operations

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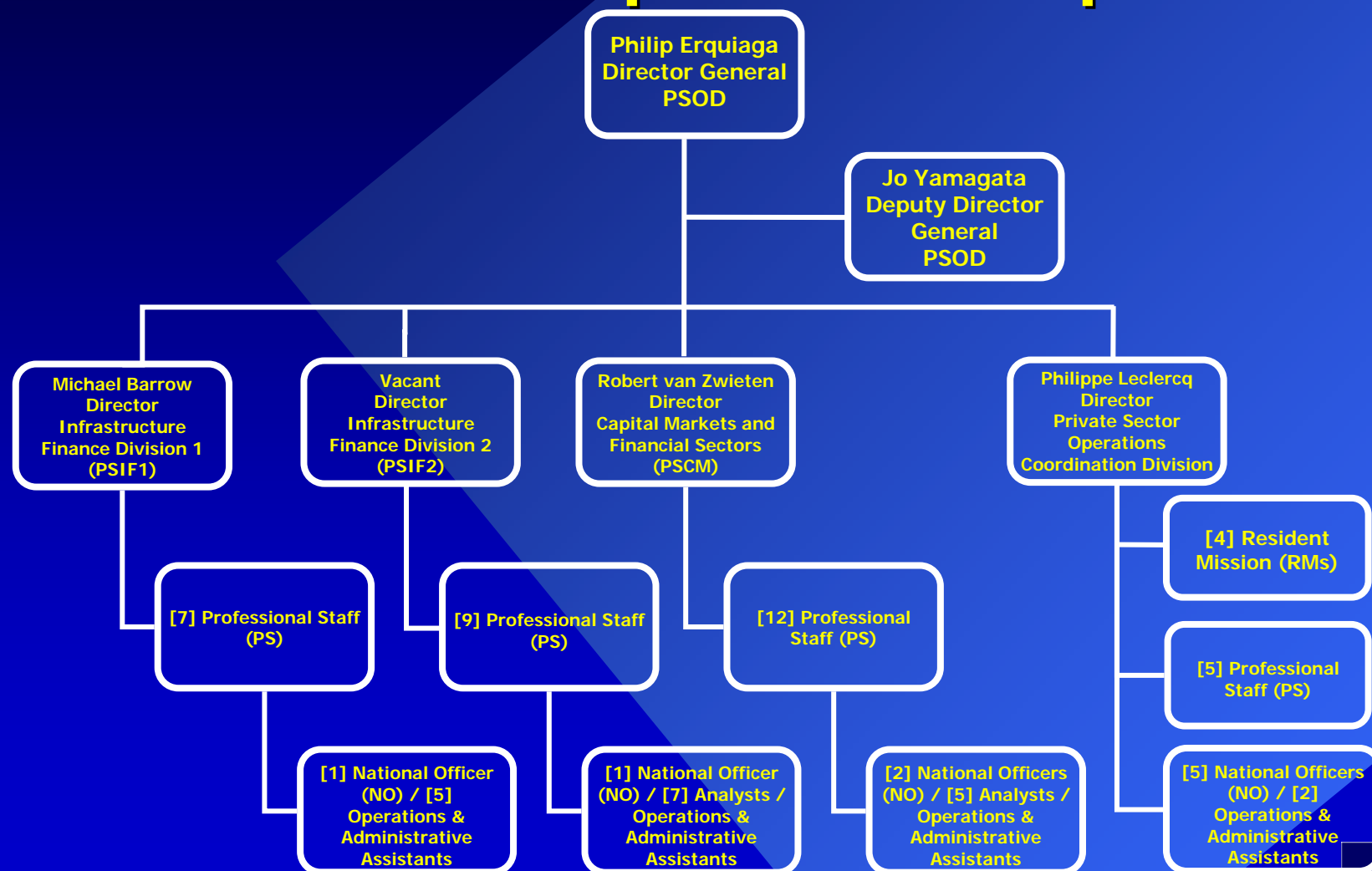
Private Sector Operations Department (PSOD)

November 2009

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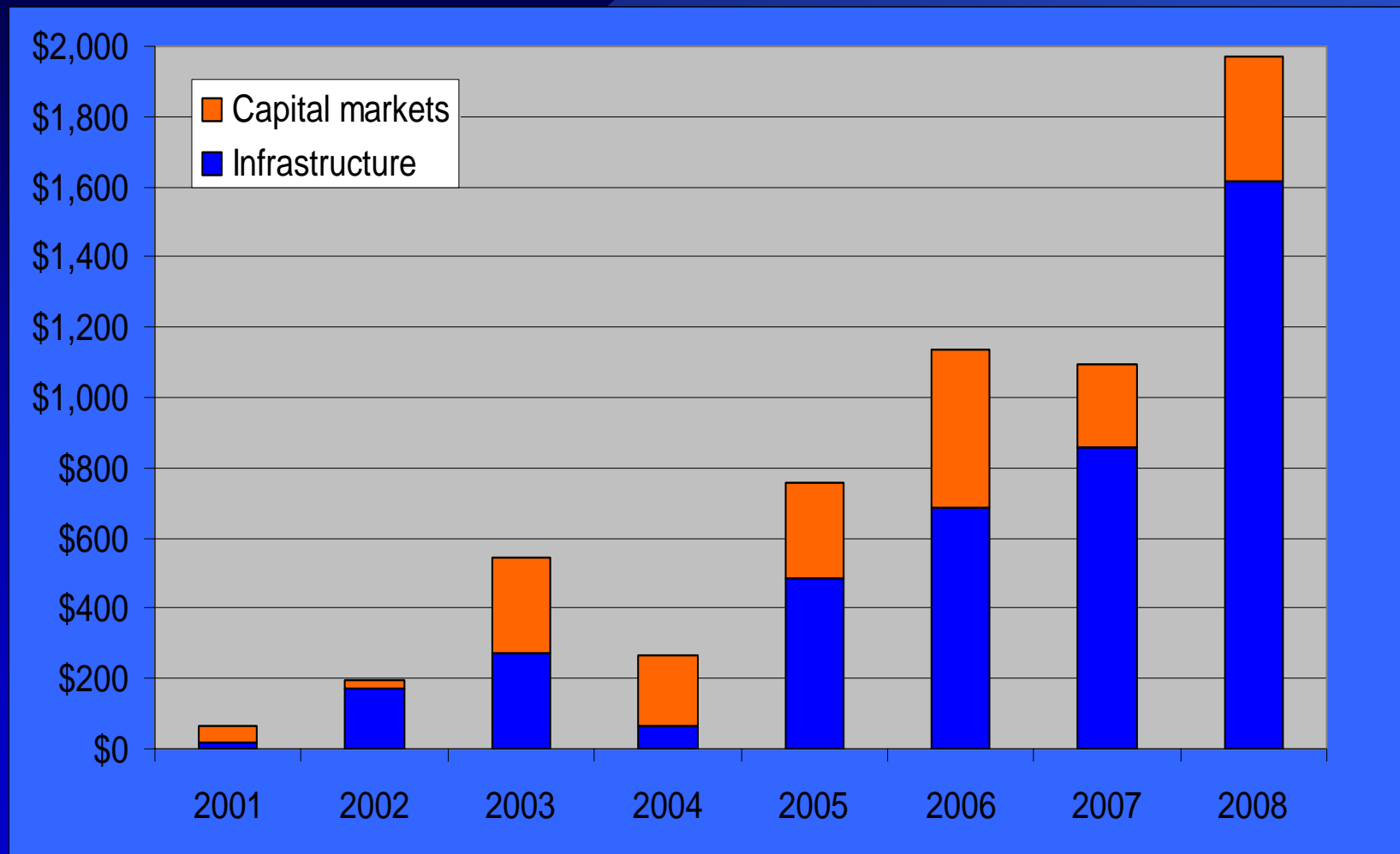
Organization Chart

Private Sector Operations Department



PSOD FINANCING 2001 - 2007

(in \$ million)



What we do?

“Nonsovereign operations include any loan, guarantee, equity investment or other financing arrangement, which is without government guarantee



What do we provide?

- Debt (offshore/local)
- Equity
- B-loans
- PRG
- PCG
- Other co-financing



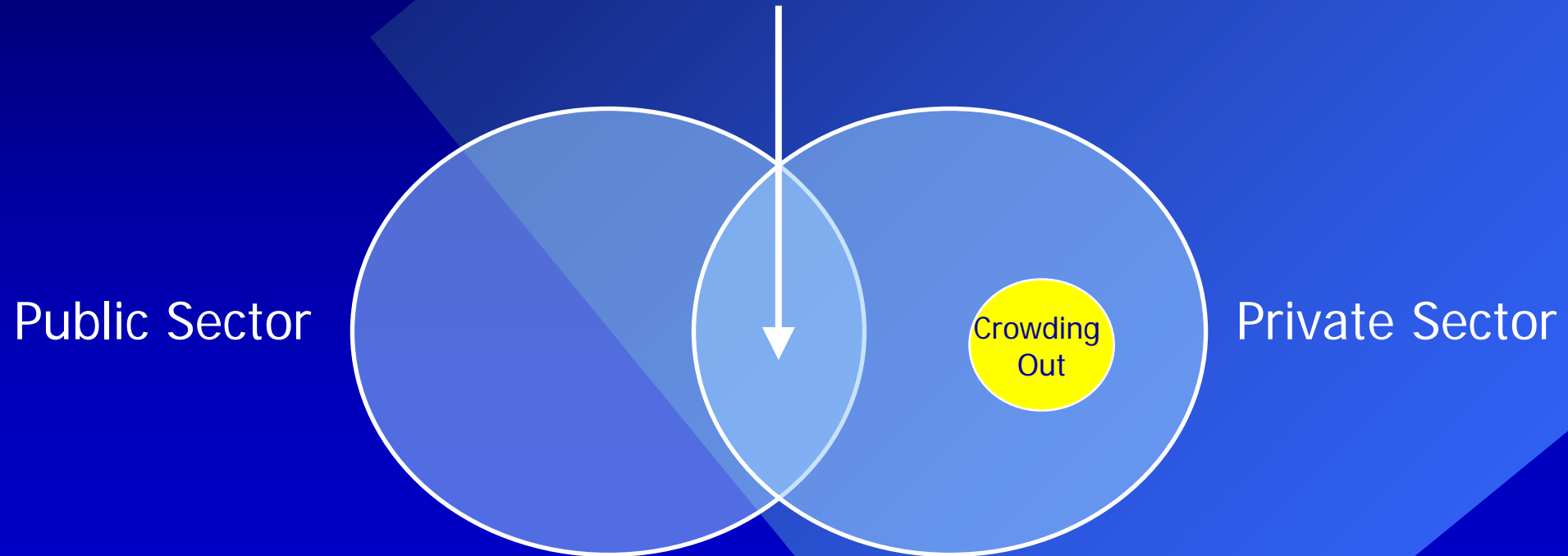
Who are our clients?

- Banks
- Investment funds
- Multinational companies
- Local companies
- SOEs



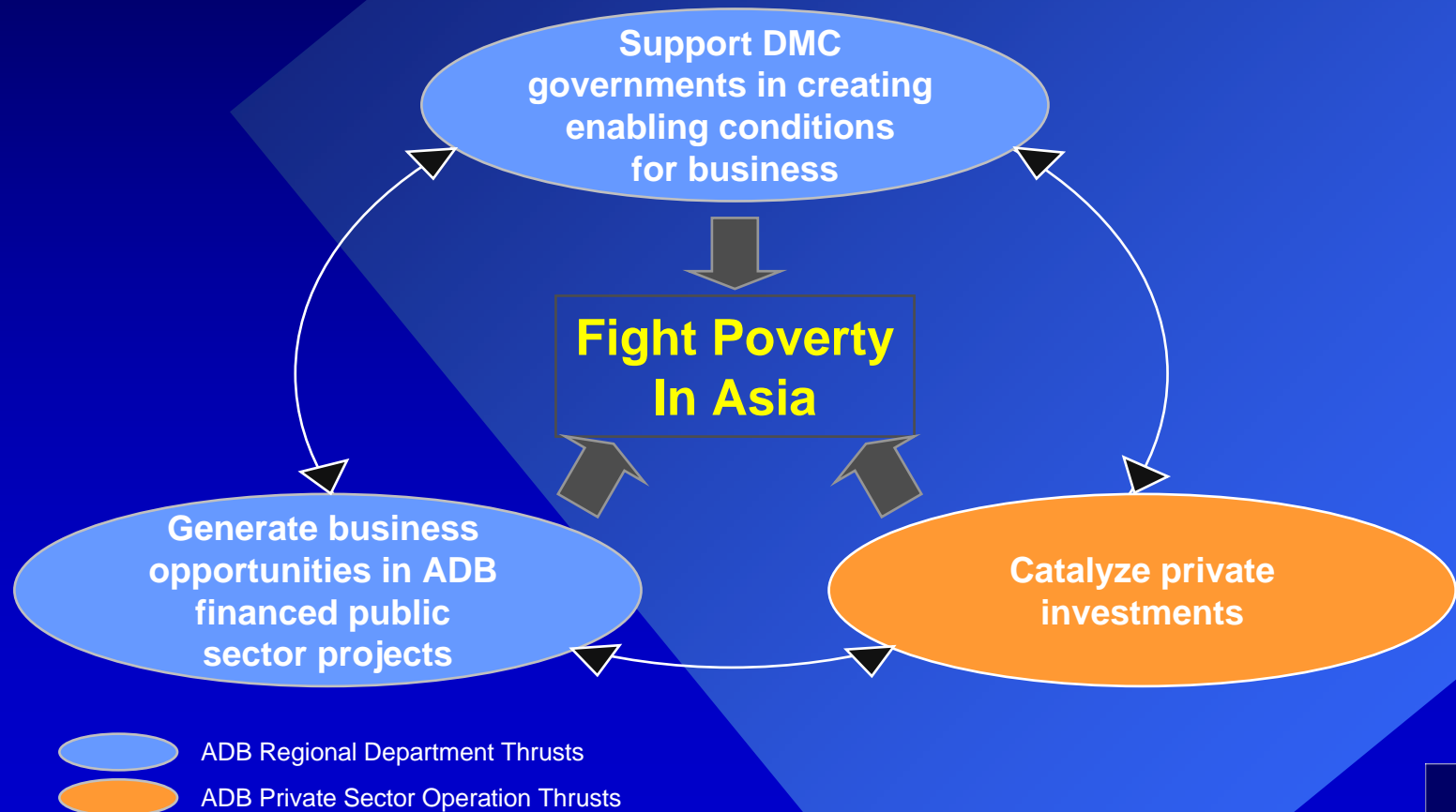
Our Focus

Our core niche – Public Private Partnerships
(infrastructure, financial sectors)



Why do we do it? - PSD

ADB Strategic Thrusts



Why does the Private Sector come to ADB?

ADB is an attractive partner in transactions – what our clients and commercial banks are saying:

- “If ADB is in, we are in; if ADB is out we are out”
- “The first dollar is the hardest to get; ADB is often the needed catalyst”
- “ADB brings its flag to deals which in turn enhances credibility in the international markets.”

LTSF – Strategy 2020

“scale up private sector development and private sector operations in all operational areas, reaching 50% of annual operations by 2020”



"I think it's clear to all of us that when assembling this board, we were thinking long term."

What kind of projects (PSIF)?

Power (focus on EE/CE/RE)

Other energy/O&G

Water / Wastewater

Urban Infrastructure

Telecom

Ports / Airports

Roads / Rail



What kind of projects (PSCM)?

Banks

Mortgage Finance

SMEs

NPLs

Funds

Leasing

Securitizations

Microfinance

Trade finance



PSOD process

ADB Process

Non-disclosure agreement

Concept Clearance Paper

Mandate Letters/Engagement
of Ext Advisers

Preparation of Credit Note and
RRP

Prep of Termsheet/CRC

Management Review Meeting

Board Presentation

Final Documentation

Conditions Precedent
(including NOL)

Financial Close

Tasks

Identify Transaction
and Structuring

Critical Due Diligence
Including analyses of
comprehensive
safeguards

Negotiations on
Documents and Pricing

Sign

Verify Conditions
Precedent

Disburse

More
DD

More
Negs.

Regional Departments Government / Sector Dialogue

ADB RDs



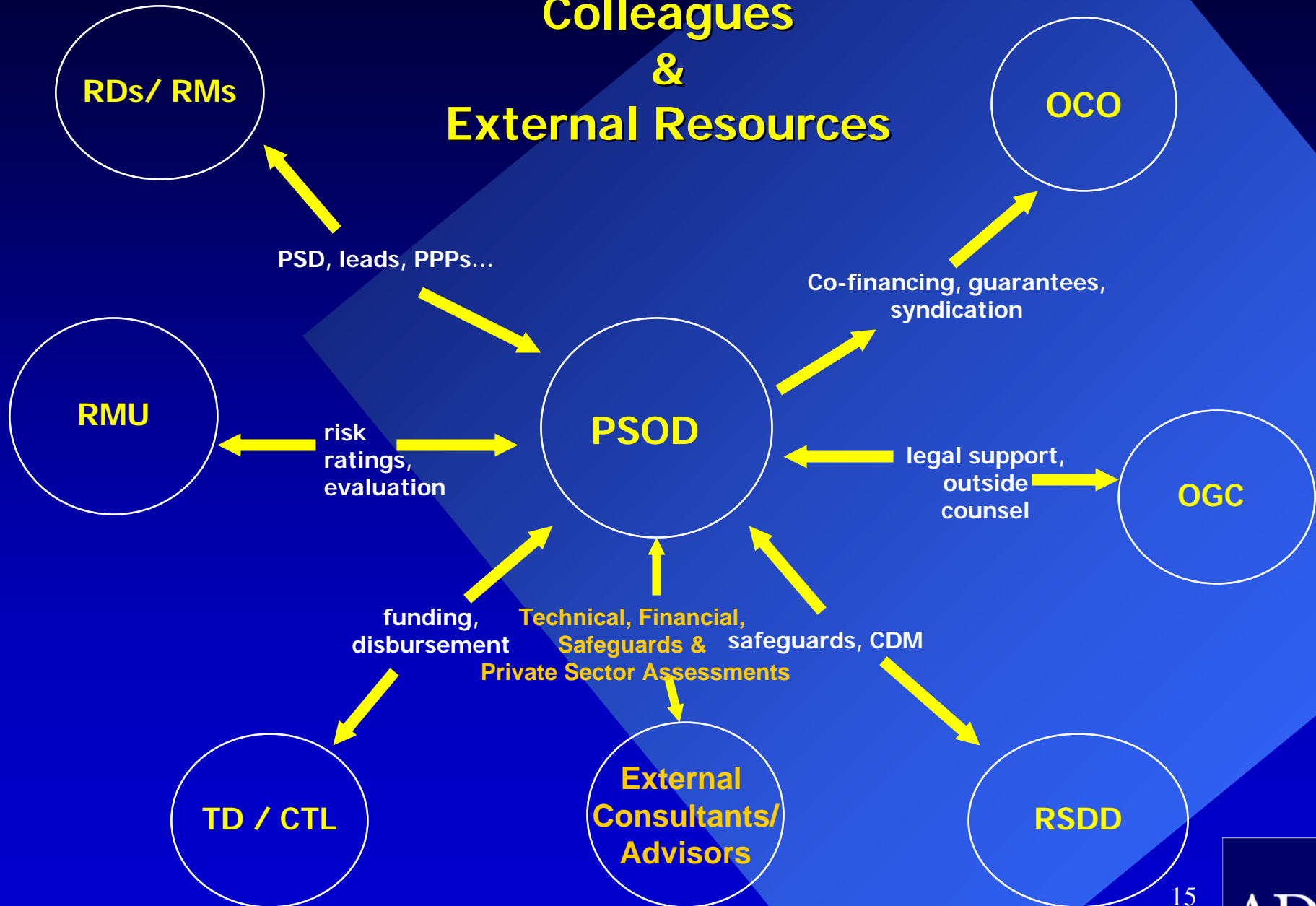
Private Sector Development



ADB PSOD

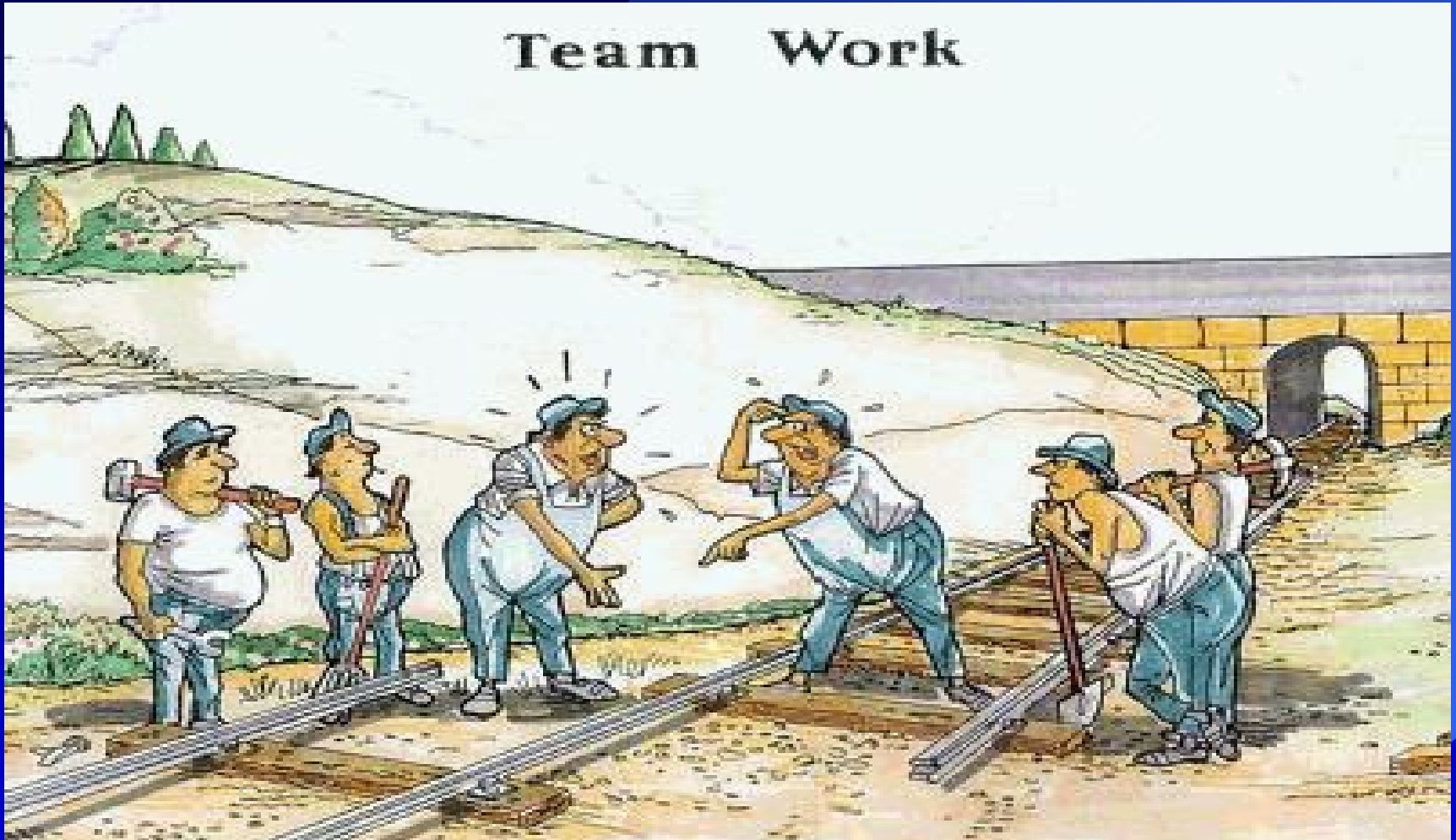
Private Sector Investors
On the Ground Experience

How we work with ADB Colleagues & External Resources



It's all about...

Team Work



PSOD deal examples



North Luzon Tollway Project

Expressway to development of the
regions

PROJECT PROFILE

Description: Modernization and expansion of the 84-kilometer North Luzon Expressway

Target completion: First quarter of 2005

Total cost: US\$371 million

Developer: Manila North Tollways Corporation

ADB assistance: US\$45 million loan without government guarantee; complementary loan financing of US\$25 million from international commercial banks

Other investors: International Finance Corporation, Multilateral Investment Guaranty Agency, Coface, Export Finance and Insurance Corporation Australia, ABB Structured Finance B.V., Mizuho Corporate Bank Ltd., Credit Agricole Indosuez, DZ Bank AG, Westdeutsche Landesbank Girozentrale

Development impacts: Decentralization of growth to other regions; investment promotion through support for better infrastructure; faster and safer travel

The upgrading of the Philippines' North Luzon Expressway into a modern tollway system marks a significant phase in the country's national road development program. The project will be the country's first expressway to be rehabilitated, operated, and maintained by the private sector.


The expressway links Metro Manila, the national capital, to the central and northern provinces of Luzon, the country's largest island. As such, it is one of the Philippines' main road arteries. Expansion and improvement of the road to world standards are seen not only to spur development in other regions but also to decentralize economic activities from congested Metro Manila.

Targeted for completion in 2005, the Manila North Tollway will be the first toll road in the Philippines that will be constructed employing world-class contractors like Leighton Contractors Asia Ltd. of Australia for the civil works, and Egis Projects S.A. of France for the toll operation equipment and systems. It will be the first toll road in the country to have operational amenities comparable with the best in the world. These include a choice of electronic and manual toll collection system for motorists, electronic message signs on road conditions ahead, overhead monitoring cameras, emergency call boxes every one or two kilometers (km), emergency parking areas every one to three km, rest areas, 24-hour traffic management, and prompt motorist assistance.

The project is structured under a rehabilitate-operate-transfer (ROT) scheme wherein the tollway will be maintained and operated for a 25-year period and then transferred to the government at no cost. The Manila North Tollways Corporation (MNTC) is tasked to maintain and operate the project until 2030. MNTC is a limited liability company jointly owned by the First Philippine Infrastructure Development Corporation, a major private infrastructure development firm; Egis Projects, a unit of the largest French tollway operator; and the Philippine National Construction Corporation, a government-controlled company that held the original franchise to construct and operate the expressway.

The total cost to upgrade the North Luzon Expressway is estimated at US\$371 million and will be the first toll road undertaking that will be financed without a government guarantee. The Asian Development Bank (ADB) acted as the lead coordinating bank in structuring the debt package for the project. Aside from extending a loan for US\$45 million from its own resources, ADB acted as the lender-of-record on a US\$25 million facility funded by international commercial banks. This financing scheme was cited in 2001 as the Asia-Pacific Transport Deal of the Year by Project Finance Corporation and the Asian Legal Deal of the Year for Project Finance by International Finance Legal Review.

Need financing for a similar project? Contact us.



FINANCIAL SERVICES AND CAPITAL MARKETS

National Home Mortgage Finance Corporation: Leading in Housing Finance Sector Reform in the Philippines

In the late 1980s, the National Home Mortgage Financing Company (NHMFC) embarked on the Unified Home Lending Program to finance low-income housing in the Philippines. As the houses were built, NHMFC purchased the mortgage-secured loans extended to home buyers by accredited financial institutions and housing developers, using funds borrowed from the Social Security System, the Government Service Insurance System, and the Home Development Mutual Fund (Pag-IBIG) ("the funders").

At a glance

- Demonstrates the Philippine low-income housing market as a creditworthy segment of the housing market and attracted commercial banks to extend their operations to such.
- Demonstrates a mechanism for the resolution of non-performing assets.

What projects do we favor?

- Model (“replicable”) projects
- Pioneering projects (“a first”)
- Projects that influence policy, from the bottom up
- Projects that have wider sectoral / economic impacts
- Projects that have strong poverty reduction elements
- Projects that promote good governance
- ADB involvement that crowds others **in** (catalytic)
- Innovative structures
- Deepening financial and capital markets
- Bring private sector rigor and management skills into public sector services
- CPS and LTSF alignment
- **Projects that are financially strong!**

What PSOD work is all about

Understanding risk

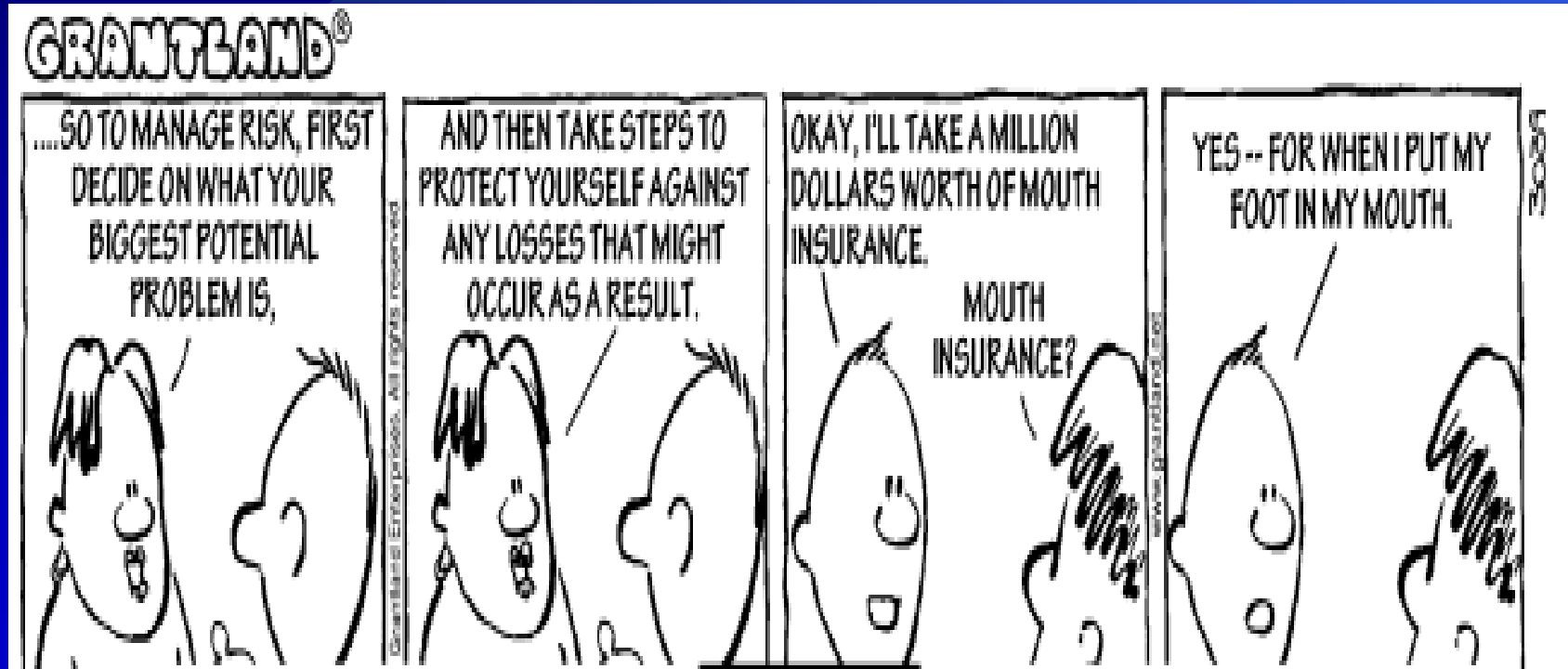
GRANTLAND®



Evaluating risk



Managing risk



Exhaustive financial modeling and analysis



Enormous quantities of legal documentation

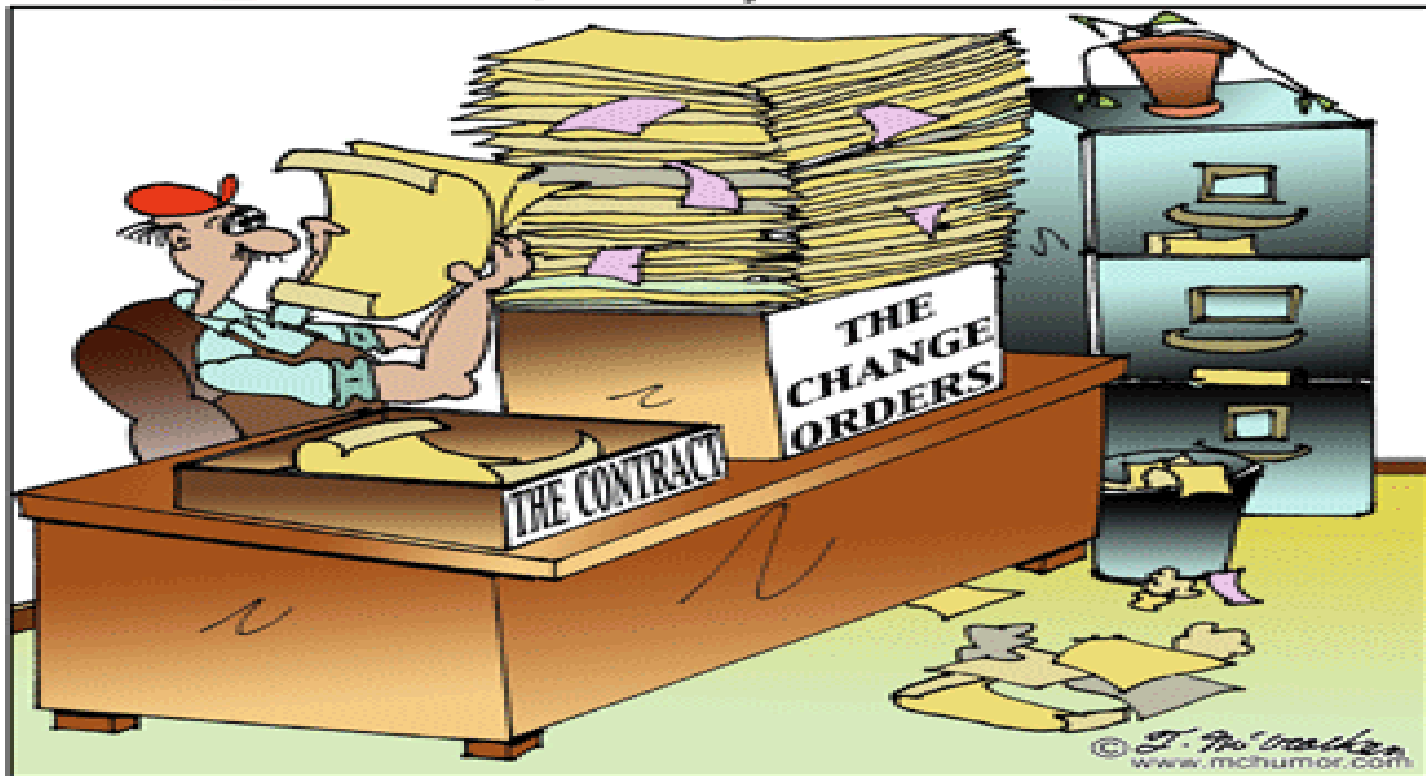


Under enormous time pressures



And a very heavy burden of monitoring and administration

MCHUMOR.com by T. McCracken



**Are we going to hire a consultant
or
are we going to mess it up ourselves?**



And in some currently difficult market conditions

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**"How can you call me unemotional?
You've seen me cry over interest rates!"**

Thanks and we in PSOD look forward to working with you soon