

ADB and the Private Sector Building Infrastructure for Progress

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BUSINESS
OPPORTUNITIES 

ADB

Why Do WE Work with the Private Sector



Why the Private Sector is Important

- To achieve the Sustainable Development Goals (SDGs) by 2030, the participation of the private sector will be crucial - in mobilizing resources, creating jobs, and supporting growth in the region
- The private sector is the source of 90% of all jobs in developing countries and helps drive innovation
- Needs will only increase and gaps remain significant across infrastructure, trade and financing across Asia
- G7/G20 and almost all other development finance institutions (DFI) are increasing their emphasis on private sector participation and financing

How ADB can assist the Private Sector

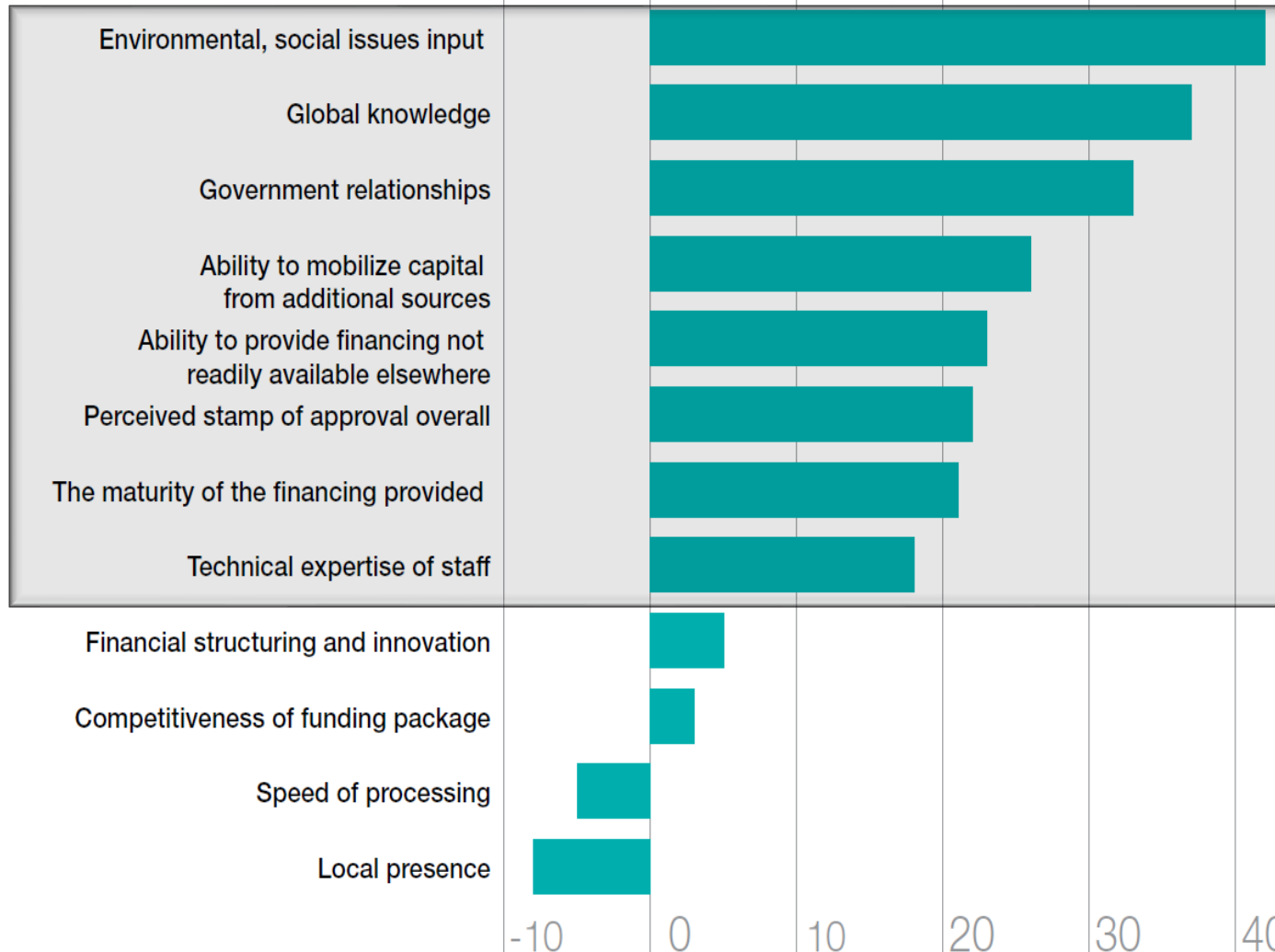
ADB can play a key role in helping to:

- Improve the business environment
- Increase the number of bankable projects
- Create markets
- Crowd-in private financing

ADB can multiply the development impact of our interventions by leveraging our:

- Relationships with governments and private sector clients
- Financial intermediaries for greater reach and diversification
- Knowledge products and advice on business incubation and PPPs
- Financial capacity to mobilize even greater amounts

Why Private Sector Clients Work with DFIs

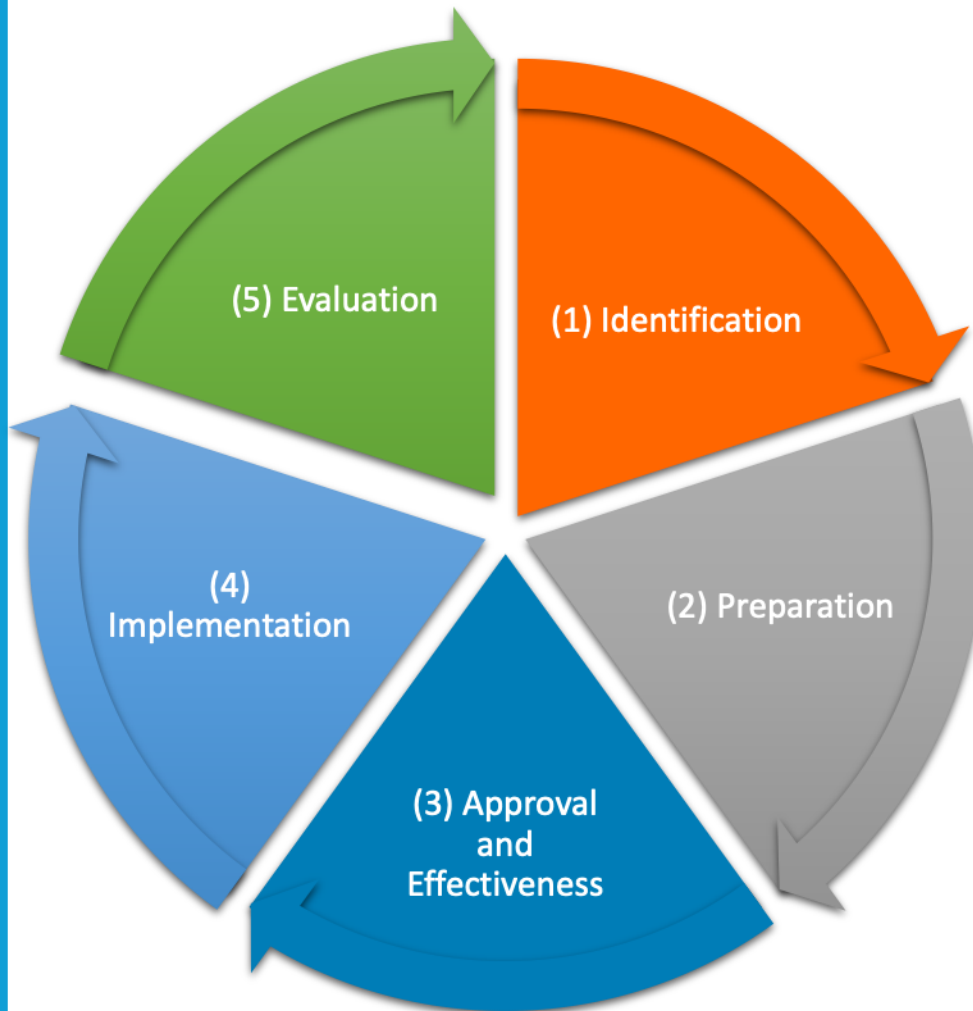


Percent of clients rating DFI performance above average or high versus commercial banks

Clients work with ADB and other DFIs to benefit from both financial and non-financial forms of additionality that they are unable to obtain elsewhere

Differences between Sovereign and Nonsovereign Operations

Project Cycle

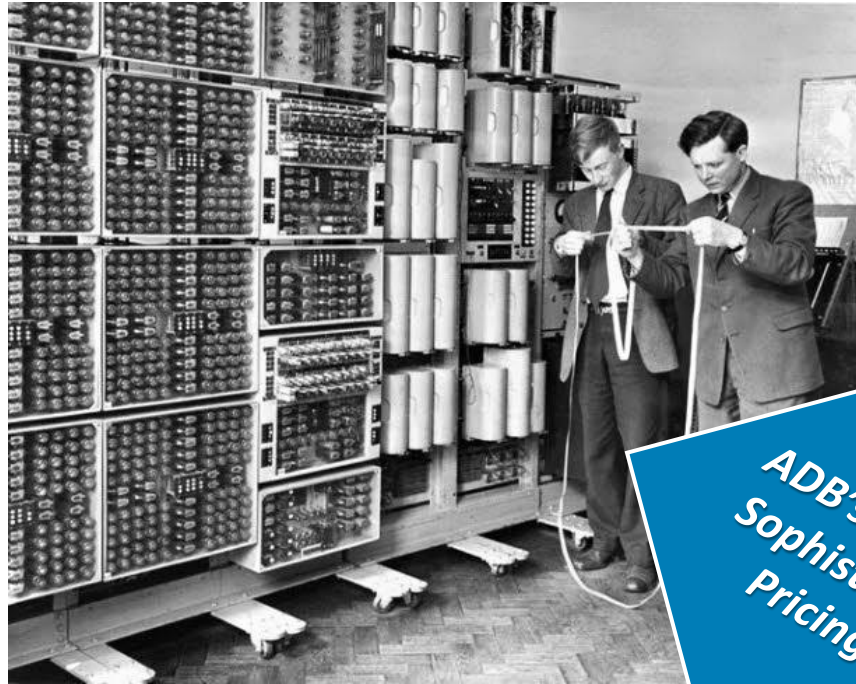


Sovereign Project Cycle

Key Differences with Nonsovereign

- ✓ Project proposals are post-feasibility study, therefore ADB is not involved in the detailed design of projects
- ✓ This means we are not involved in the selection of the sponsors' EPC contractors or advisors (technical, legal, etc.)
- ✓ Sponsors approach ADB for financing and/or investment, plus validation of commercial, safeguards, and other matters
- ✓ ADB supervises projects until the loan is repaid or the investment is sold

Pricing



*ADB's
Sophisticated
Pricing Model*

= Market Pricing for
Private Sector Projects

Sovereign

ADF Grants

Concessional
OCR

Regular
OCR

Fixed tenor and
pricing depending
on country
classification

Contractual spread
plus maturity
premium

Nonsovereign

Pricing Tool

Market
Comparators

Co-Financiers
Co-Investors

Expected Loss
Admin Expenses
Capital Cost

Relevant recent
transactions

Pricing and
valuation of
potential
partners

Nonsovereign Operations

Sectors



Infrastructure

Energy (Renewable Energy; Natural Gas)
 Environmental Infrastructure (Water, Waste)
 Transport (Road, Rail, Port, Airport, Inland Water)
 ICT (Mobile Technology)

Financial Institutions

Financial Inclusion (MSMEs, Women, Home Loans, Farmers)
 Climate Change Mitigation Finance
 Insurance
 Fintech

Agribusiness

Agricultural Inputs
 Farming and Processing
 Logistics
 Food Brands and Food Retail

Social Sectors

Education (Primary, Secondary, Tertiary; Technical and Vocational; Innovation)
 Health (Hospitals; Diagnostics; Affordable Supplies; Elderly Care)



Products

Instrument	Typical Size	Typical terms	When is it relevant?
Debt	\$20M - \$500M	<ul style="list-style-type: none"> • 7 years (corporate) to 15+ years (project) • LIBOR / ADB cost of fund in local currency + credit spread • Secured or unsecured 	<ul style="list-style-type: none"> • Established company with large balance sheet, strong cash flow • Possibility to mobilize co-financing under B-loan or risk participation
Equity	\$2M - \$100M	<ul style="list-style-type: none"> • 25% ownership maximum • Board seat • Minority protection rights • Put on the parent company 	<ul style="list-style-type: none"> • Direct: growth companies at any stage through IPO (cornerstone or anchor investment) • PEF: multi-sector and regional funds • ADB Ventures: early-stage companies focused on new technologies
Guarantees	\$20M - \$500M	<ul style="list-style-type: none"> • Partial credit guarantees (PCG): market based, fees based off lenders' margin • Political risk guarantees (PRG): market based, fees based off reinsurance market 	<ul style="list-style-type: none"> • Where other lenders are more efficient than ADB in mobilizing local currency, or reaching target customers (PCG) • In frontier markets (PRG)
Blended Finance	\$5M - \$10M	<ul style="list-style-type: none"> • Long term loan at concessional interest rate to be "blended" with ADB financing • First loss cover 	<ul style="list-style-type: none"> • Whenever donor funds managed by ADB are available • Applicable for climate mitigation and adaptation projects or low-income countries
Technical Assistance	\$0.5M - \$1M	<ul style="list-style-type: none"> • For project preparation TA, reimbursable at closing • For capacity development TA, non-reimbursable grant 	<ul style="list-style-type: none"> • Enhance corporate governance, environmental and social standards, risk management, gender mainstreaming, etc. • Develop new products for underserved segments



Eligible Transactions

- ✓ Located in ADB's developing member countries
- ✓ ADB's target sectors (infrastructure, financial sector, agribusiness, etc.) and themes (climate change, inclusive business, etc.)
- ✓ Developmentally and commercially sound, with a clear business plan
- ✓ Financing not directly guaranteed by the government
- ✓ Clear financing or other need (safeguard support, risk coverage, etc.) from ADB
- ✓ Willing to employ professional advisors (legal, technical, environment and social, etc.)
- ✓ For equity investments, a board seat for ADB and clear exit strategy



High demonstrational value and replicability



Innovative (new technologies or ways of doing business)



Highest integrity and ethical standards



Crowding in commercial financing

ADB Additionalities

- ✓ Financial, including (i) various products from debt to equity, credit enhancement and risk mitigation, (ii) local currencies, and (iii) longer tenors and patient investor
- ✓ Non-financial, including (i) stamp of approval, (ii) country risk mitigation, neutral broker role with governments, (iii) safeguard and corporate governance expertise, and (iv) extensive knowledge of markets, sectors, and clients

Approval Process

Standard Deals

Concept Review

- Review of business plan and financials
- Internal peer review
- **Concept Review Committee's review**

Due Diligence

- Technical, commercial, legal and safeguards due diligence
- Finalize term sheet
- Formal risk rating
- Disclose safeguards documents

Final Review

- Investment Committee review
- President's review

Board Approval

- 21-day circulation to the Board for review
- **Board's approval**

FAST Deals*

Early Review

- Review of business plan & financials
- Initial risk rating
- **FAST Committee review**

Due Diligence

- Technical, legal commercial, and safeguards due diligence
- Finalize term sheet
- Formal risk rating
- Disclose safeguards documents

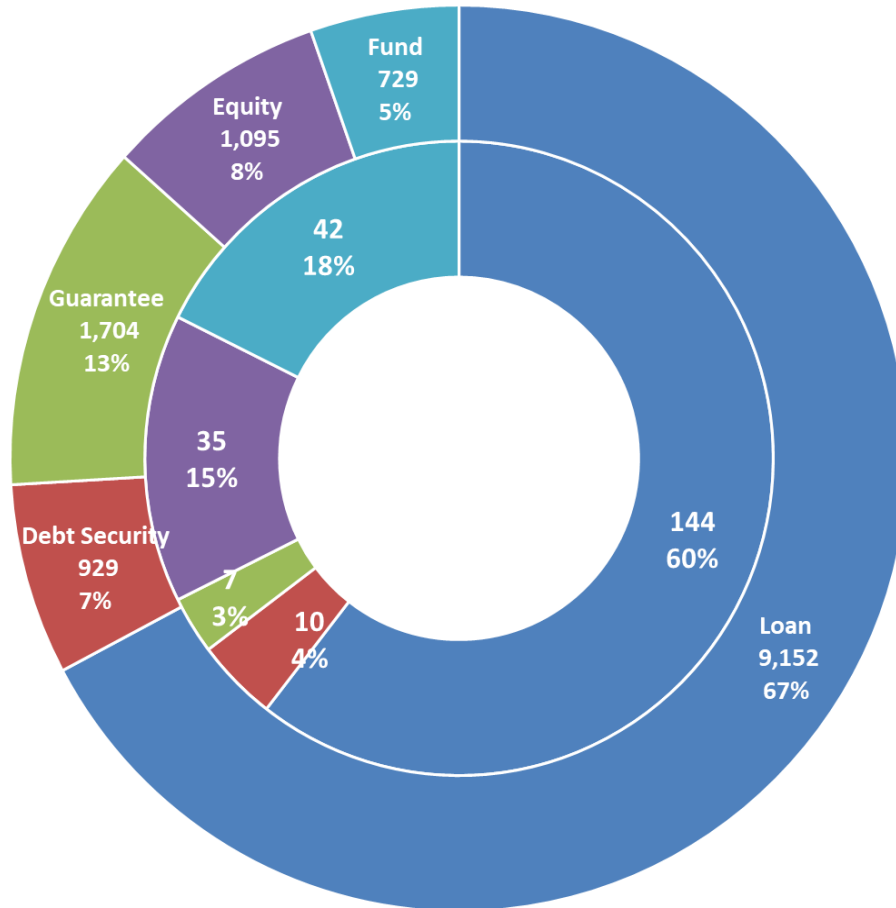
Final Review

- Investment Committee review
- **President's approval**

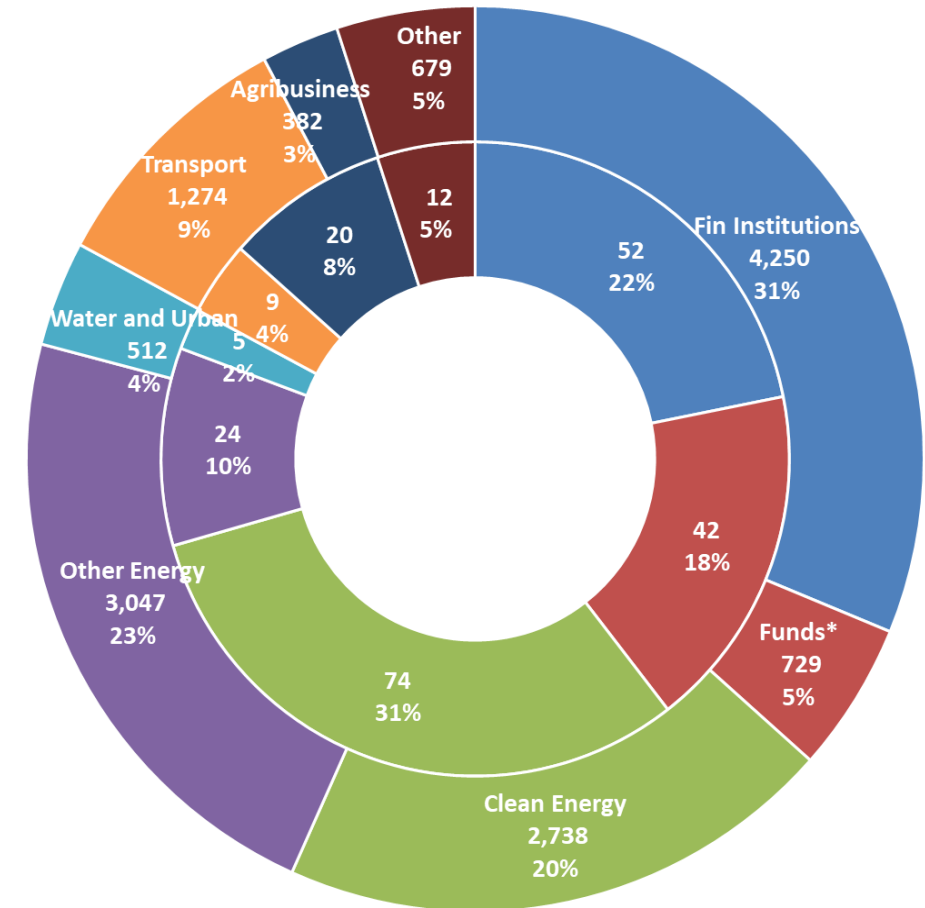
Portfolio by Product and Sector

Committed Exposure of \$13.6 billion as of December 31, 2019 (Inner Circle by Project Count, Outer Circle by Volume)

By Product Type



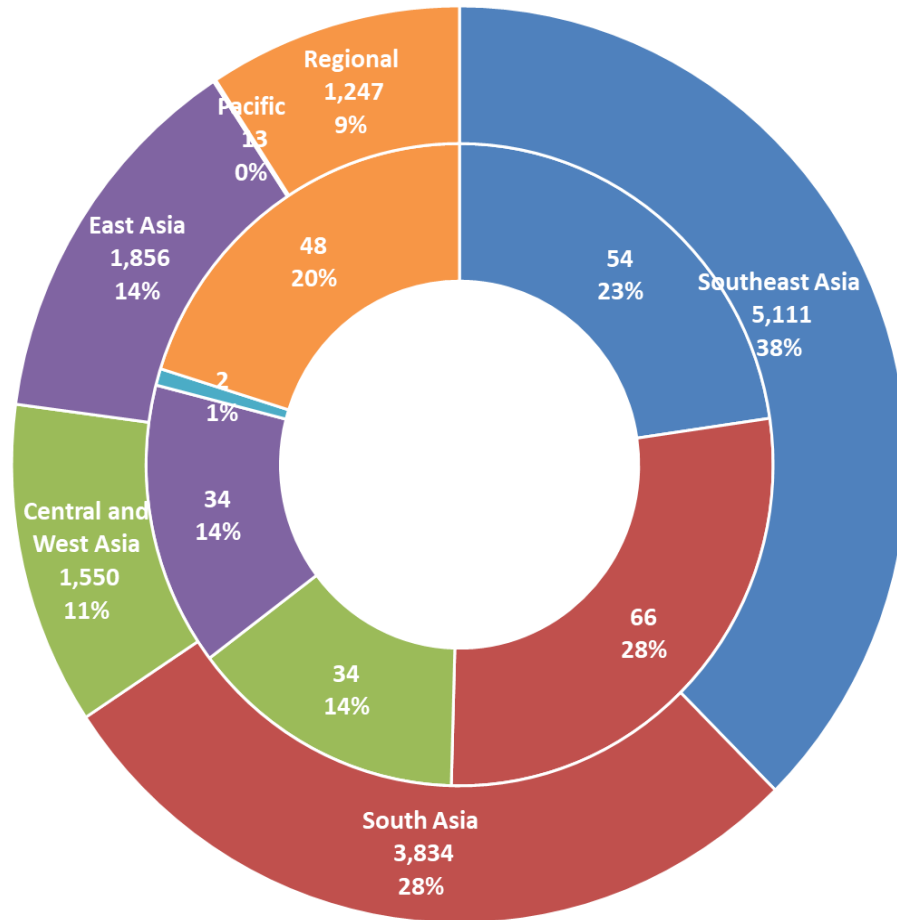
By Sector



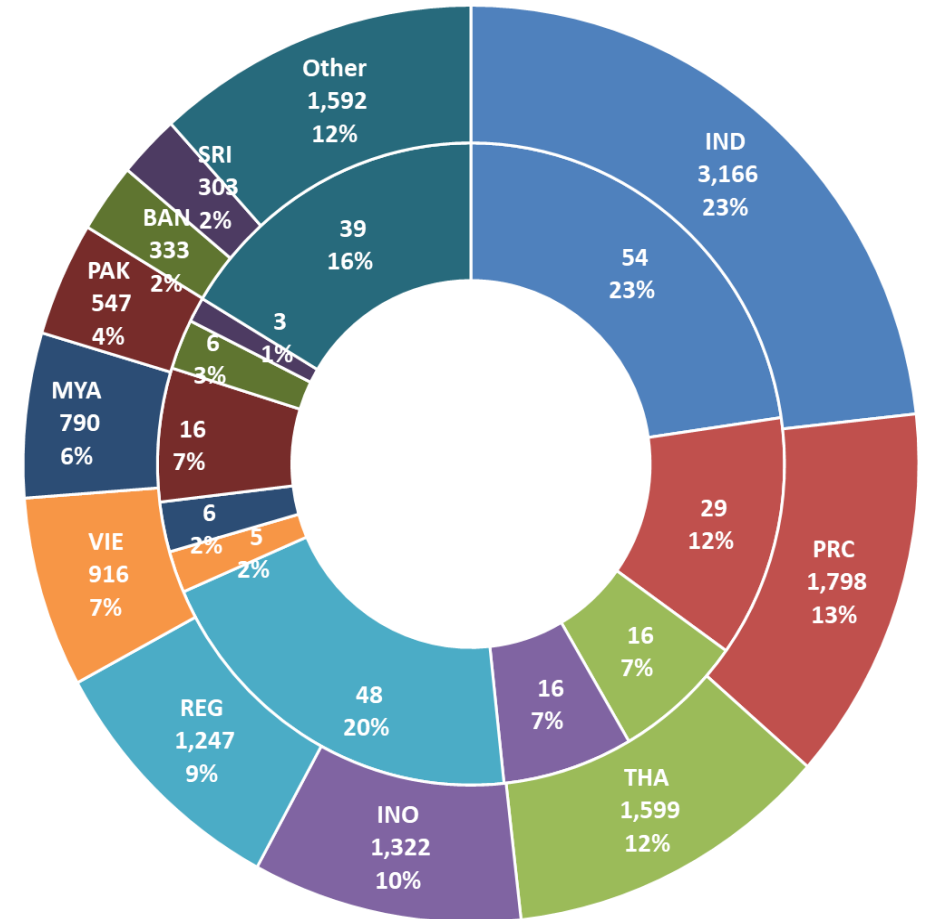
Portfolio by Region and Country

Committed Exposure of \$13.6 billion as of December 31, 2019 (Inner Circle by Project Count, Outer Circle by Volume)

By Region



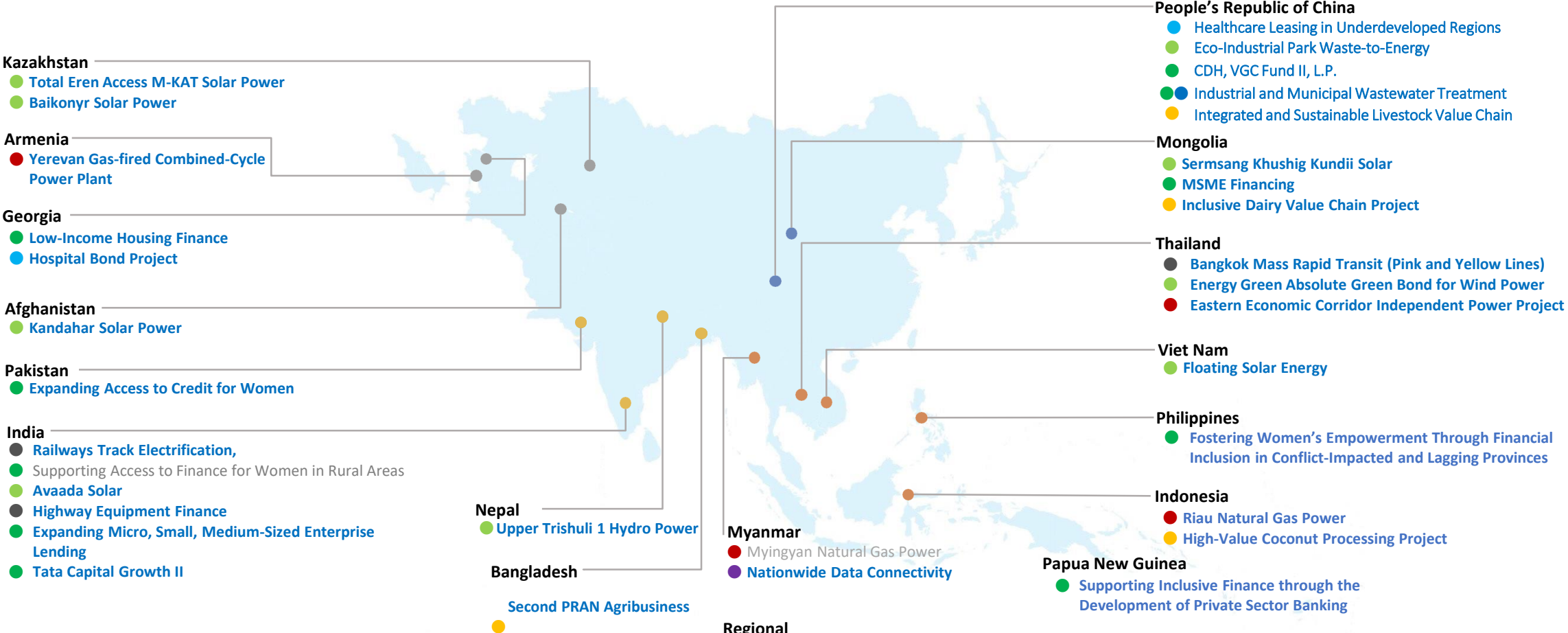
By Country





Commitments 2019

38 projects, \$3.01 billion committed, \$6.93 billion cofinanced



- Clean Energy
- Energy (Other)
- ICT
- Agriculture
- Health
- Education
- Finance
- Transport
- Water & Urban Services

Items in gray font are not first signed in 2019 and are not included in the project count

Impact



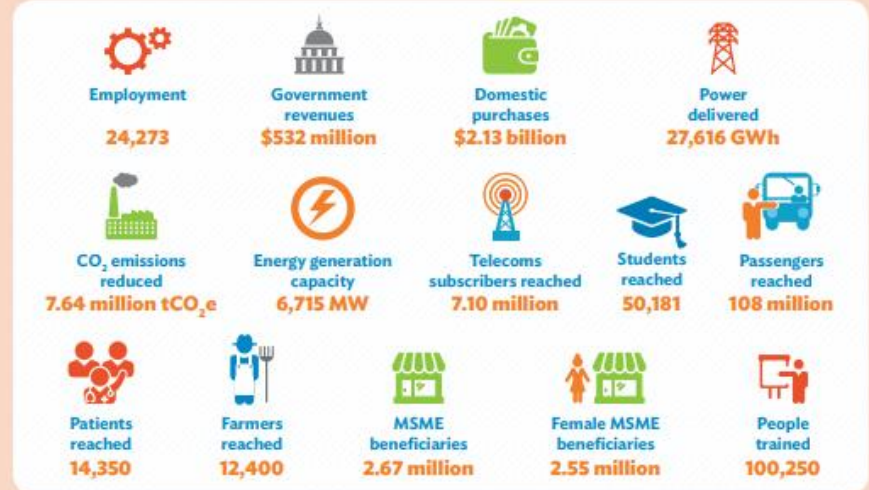
PRIVATE SECTOR OPERATIONS IN 2019

REPORT ON DEVELOPMENT EFFECTIVENESS

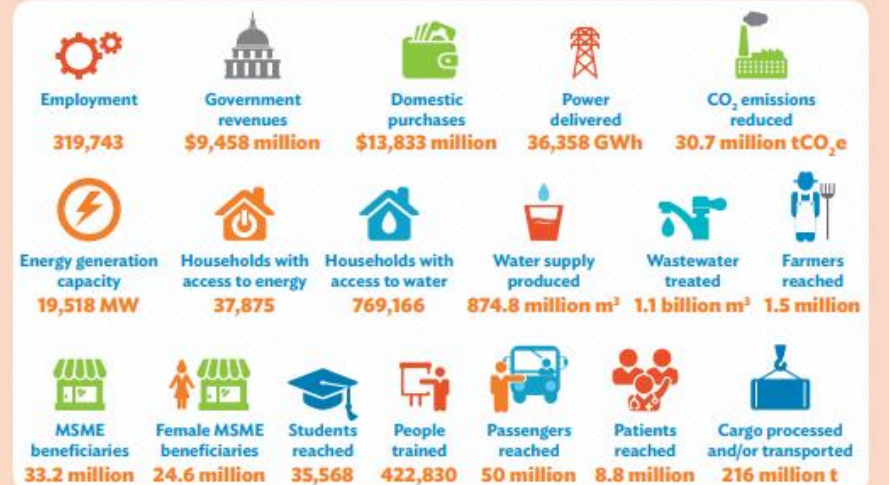
JULY 2020



Results Expected from Projects Committed in 2019



Results Achieved by PSOD's Active Portfolio



CO₂ = carbon dioxide; tCO₂e = tons of carbon dioxide equivalent; GWh = gigawatt-hour; m³ = cubic meter; MSME = micro, small, and medium-sized enterprise; MW = megawatt; PSOD = Private Sector Operations Department; t = ton.
Source: Asian Development Bank (Private Sector Operations Department).

ADB

Case Studies



Case Studies - Project Finance

AFG: Kandahar Solar Power Project



ADB Support:

- ADB Direct Loan
- Loan from Canadian Climate Fund for the Private Sector in Asia II (CCFPS II)

ADB's Value Addition:

- Provision of debt financing of a private sector project in Afghanistan.
- Ensures adoption of international best practices in environmental and safeguard management.

INO: Riau Natural Gas Power Project



ADB Support:

- ADB direct Loan;
- B loan;
- Political risk guarantee;
- Loan from Leading Asia's Private Infrastructure Fund (LEAP)

ADB's Value Addition:

- Mobilized long-term financing
- Ensure implementation of environmental and social safeguards of international standards.

Case Studies – Project Finance

THA: Bangkok Mass Rapid Transit Project



ADB Support:

- Direct Loan denominated in Local Currency

ADB's Value Addition:

- Contributes to the promotion of PPP schemes in the transport sector,
- Catalyzes commercial financing for metrorail systems.
- Provision of Long-term Local Currency financing

ARM: Yerevan Gas-Fired Combined-Cycle Power Project



ADB Support:

- ADB Direct Loan

ADB's Value Addition:

- Provision of long-term debt financing which has limited availability in the domestic market
- Enhance the project's environmental and social standards
- Establish precedents for similar independent power producer projects

Case Studies – Project Infrastructure

REG: Asia–Pacific Remote Broadband Internet Satellite Project



ADB Support:

- ADB direct loan;
- Loan from Leading Asia's Private Infrastructure Fund (LEAP)

ADB's Value Addition:

- Mobilize a significant amount of long-term financing.
- Structured a non-recourse financing satellite infrastructure, a first of its kind in the region.

Case Studies – General Corporate Finance

REG: Green Bond Project



ADB Support:

- Investment in Bonds

ADB's Value Addition:

- Created awareness for green bonds and climate bonds in the region.

IND: Avaada Solar Project



ADB Support:

- Equity investment;
- Equity from Leading Asia's Private Infrastructure Fund (LEAP)

ADB's Value Addition:

- Catalyze private sector investments.
- Strengthened and updated the existing environmental and social management system
- Improve gender policy within the company.

Case Studies – General Corporate Finance

PRC: Eco-Industrial Park Waste-to-Energy Project



ADB Support:

- Loan denominated either in US dollars, euro, yen and yuan

ADB's Value Addition:

- Promote higher industry standards
- Enhance environmental and social standards through the adoption of international safeguard standards.
- Finance a portfolio of WTE projects efficiently and economically and mobilize local commercial banks.

INO: Maternity and Child Care Hospital Project



ADB Support:

- Equity

ADB's Value Addition:

- Facilitated the company's IPO issuance
- Improved the company's environmental and social safeguards standards
- Demonstrate viability of a business model and contribute to the overall improvement of health care services in Indonesia.

Case Studies – Corporate Finance

MON: Gender Inclusive Dairy Value Chain Project

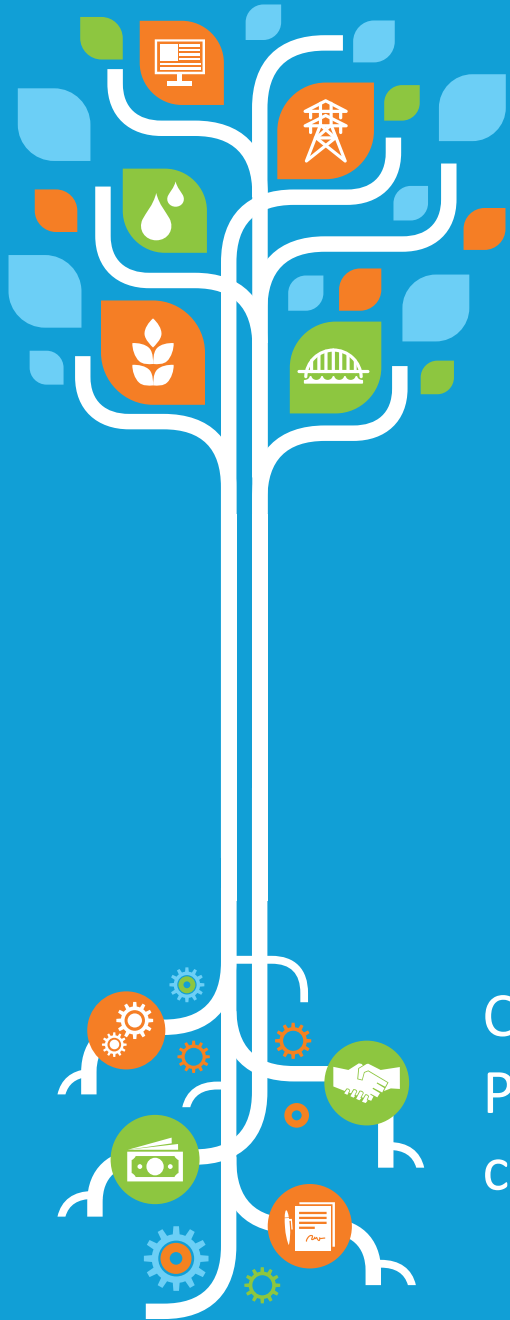


ADB Support:

- Direct loan in Mongolian Togrog

ADB's Value Addition:

- Attract long-term capital and partnerships from international sources
- Develop a robust environmental and social management plan following the best international safeguard practices, including a gender action plan.
- Promote better corporate governance standards through compliance with loan conditions .



THANK YOU!

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