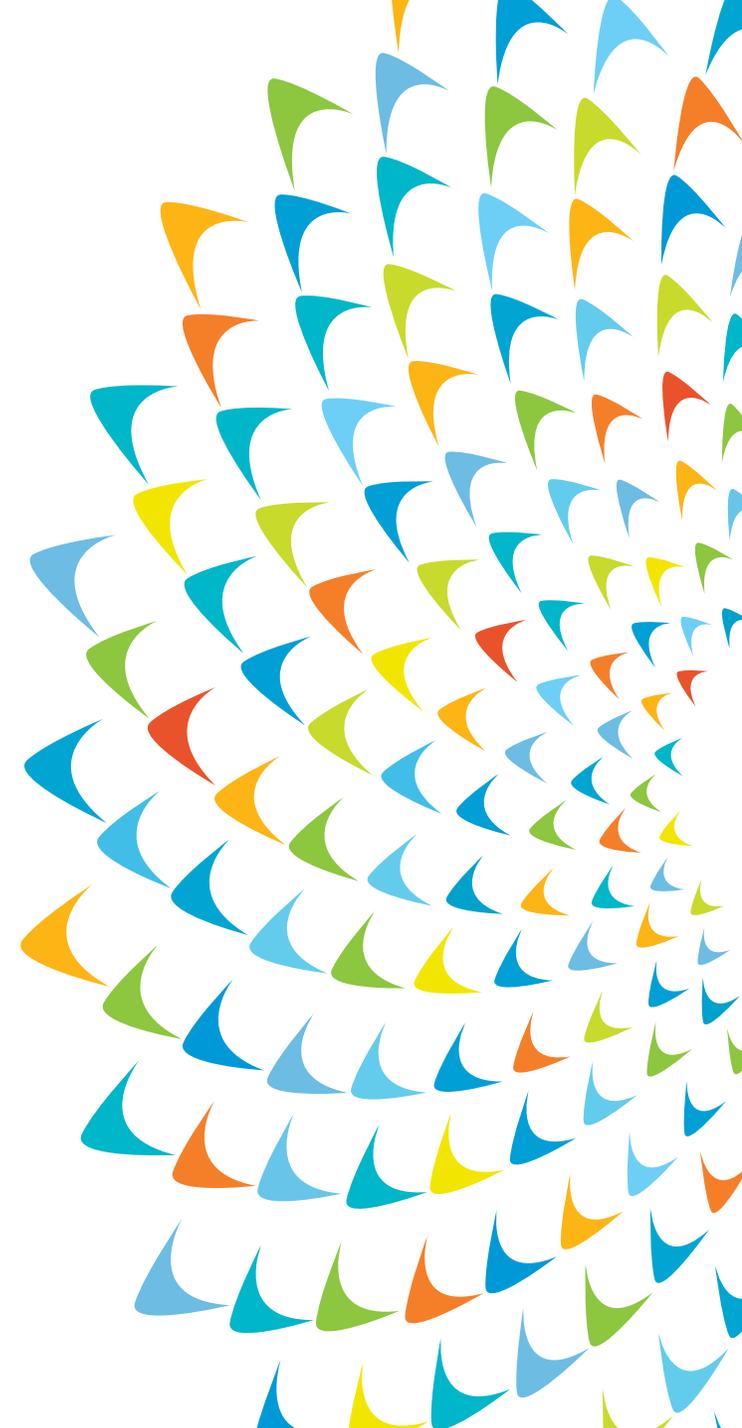


Overview of ADB's Private Sector Operations

Virtual Business Opportunities Seminar – Embassy of Sweden
12 October 2022



Agenda

- **Introduction to Private Sector Operations**
- **ADB Ventures**
- **Mobilization**
- **Blended Finance**
- **Development Impact and Effectiveness**
- **Award winning Service**



Introduction to Private Sector Operations

Private Sector Operations Department (PSOD) is responsible for all private sector financing, structuring, and funding investments



- Across the capital structure
- Various industry sectors
- Throughout developing Asia and the Pacific

Emphasis on commercially viable transactions that

- **Generate acceptable financial returns**
- **Deliver development outcomes**
- **Ensure environmental sustainability**
- **Promote social responsibility**
- **Foster inclusive economic growth**



ADB's value addition



- Risk sharing
- Local presence
- Knowledge of the region

Sectors

Infrastructure

- **Energy**
(Renewable, Natural Gas)
- **Environmental Infrastructure**
(Water, Waste)
- **Transport**
(Road, Rail, Port, Airport, Inland Water)
- **ICT**
(Mobile Technology)
- **Manufacturing**
(Green Factories for Ready-Made Garments)
- **Hotels**

Financial Institutions

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

"ICT" = Information and Communications Technology; "MSME" = Micro, small, and medium enterprise

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Sectors

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)

PSOD's Financing Instruments

Instrument	Typical Size	Typical Terms
Debt	\$10M - \$100M	<ul style="list-style-type: none"> • up to 7 years (corporate) to 15+ years (project) • SOFR/ ADB cost of funds in local currency + credit spread • Secured or unsecured
Equity	\$2M - \$100M	<ul style="list-style-type: none"> • 25% ownership maximum • Board seat • Minority protection rights • Put on the parent company
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
Blended Finance	\$1M - \$30M	<ul style="list-style-type: none"> • Lower pricing, longer tenors, longer grace periods, sculpted repayment profiles, subordination, reduced security and/or collateral, and capped or collared returns
Technical Assistance	\$0.5M - \$1M	<ul style="list-style-type: none"> • For project preparation TA, reimbursable at closing • For capacity development • For capacity development TA, non-reimbursable grant

PSOD's Programs



Trade Finance Program

Fills market gaps for trade finance by providing loans and guarantees to banks

- Risk participation (funded/unfunded) - up to 85% risk cover
- Credit guarantee - up to 100% risk cover
- Revolving credit facility
- Training and capacity building



Supply Chain Finance Program

Reduces SME financing gaps by sharing corporate risk with partner financial institutions

- Risk participation (funded/unfunded) - up to 85% risk cover
- Guarantees - up to 85% risk cover
- Training and capacity building



Microfinance Risk Participation and Guarantee Program

Increases MFIs/NBFIs' access to funding and addresses the needs of the bottom of the pyramid

- Risk participation (unfunded) - up to 50% risk cover*
- Guarantee - up to 80% risk cover*
- Training and capacity building

**Up to 80% risk coverage for COVID-19 transactions is permitted*

"MFIs" = Micro-finance Financial Institutions

"NBFIs" = Non-Bank Financial Institutions

PSOD's regional presence spread across 16 offices



PSOD Management



Christopher Thieme
Deputy Director
General



Suzanne Gaboury
Director General



Craig Roberts
Senior Advisor

**Infrastructure
Central, West and
South Asia**



Shantanu Chakraborty
Director

**Infrastructure
East and Southeast
Asia and Pacific**



Jackie Surtani
Director

**Financial
Institutions**



Christine Engstrom
Director

**Funds, Asset
Management and
Special Initiatives**



Janette Hall
Director

**Portfolio
Management**



Marife Apilado
Director

**Safeguards,
Integrity &
Development
Effectiveness**



Mark Kunzer
Director

**ADB Singapore
Office**



Sonali Tang
Regional Director

Agribusiness



Martin Lemoine
Head

**Business
Development**



Sherwin Pu
Head

Social Sectors



Aniruddha Patil
Head

**Trade and Supply
Chain Finance**



Steven Beck
Advisor

**Guarantees,
Syndications and
Risk Transfers**



Bart Raemaekers
Advisor

Risk Analytics



Timo Teinila
Advisor

Equity Investments



Joseph Bergin
Head

Microfinance



Anshukant Taneja
Principal Inv Specialist

PRCM



Hisaka Kimura
Advisor

INRM



Mayank Choudhary
Principal Inv Specialist

TRM



Daniel Wiedmer
Principal Inv Specialist

Climate Finance



Noel Peters
Principal Inv Specialist



ADB Ventures

Creating Asia's Leading Climate Tech Platform

ADB VENTURES

An impact-focused venture investment platform launched and managed by the Asian Development Bank

OUR FOCUS

Provides funding and support to tech startups with significant potential to scale and deliver climate impact in developing Asia

OUR APPROACH

Leverages ADB's unique public and private sector networks across Asia to de-risk and accelerate market access and scale-up

OUR VISION

Vision to become a leading Asian climate impact focused tech investment platform, crowding in more than \$1bn of risk capital



CLIMATE TECH EQUITY FUND I - \$60m
(Operational)

Patient venture equity to early stage and growth startups with climate tech-enabled solutions.



CLIMATE TECH DEBT FUND - \$100m
(Target end 2023)

Supporting scale up of climate tech-enabled solutions with growth debt for ventures



SEED PROGRAM \$5m
(Operational)

Reimbursable grants for de-risking of early-stage startups scaling-up in Emerging Asia.

Focus on Climate Tech Solutions

Seeking solutions that can deliver significant direct and/or indirect climate mitigation and resilience impact across different sectors and markets in Emerging Asia



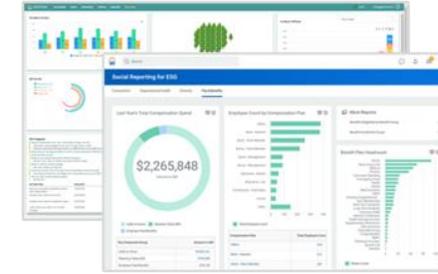
CIRCULARITY/RECYCLING

- Circular/shared economy
- Green/eco materials
- Waste-to-value



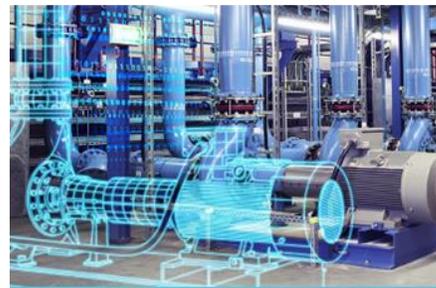
GREEN INFRA

- Sustainable materials
- Smart construction
- Green buildings



GREEN FINANCE

- Green SME & supply-chain finance
- ESG tracking & management
- Carbon finance & assets



SMART INDUSTRY

- Digital twins/industry 4.0
- Material and process efficiency
- Sustainable manufacturing



GREEN ENERGY

- Renewable power/heat
- Industrial energy efficiency
- Smart demand management



GREEN LOGISTICS

- Electric mobility & transport
- Digital supply-chain management
- Smart warehousing & cold-chains

What we look for

INVESTMENT



- Fund 1: \$500k – \$3m in first cheque (+ potential follow-on funding). SEED: \$100-200k
- Targeting market-level financial returns
- We always co-invest with other like-minded VCs & investors

MARKET



- Existing or near-term plans to expand in Emerging Asia
- Strong preference for larger markets (+\$1bn)
- Solutions that can be scaled up and replicated across Asia.

PRODUCT



- Targeting tech-enabled solutions, but we do not invest in R&D.
- Targeting new business and financing models that can drive scale-up
- Preference for solutions with demonstrated product/market fit, ideally with multiple clients.

TRACTION



- Don't mind companies that are still loss-making (that's part of growing) but should have revenues
- Preference for companies that are capital-efficient and at/near positive unit costs
- Should have clear path to self-sustainability within 3-4 years

IMPACT



- Targeting solutions that can deliver significant climate impact in Emerging Asia
- Interested in both climate mitigation and climate adaptation/resilience solutions
- Gender impact lens all on investment, both at company as well as market-level.



Mobilization

Long term PSOD Cofinancing

(Cofinancing ratio = Long term Cofinancing / NSO Commitments)

Commercial cofinancing

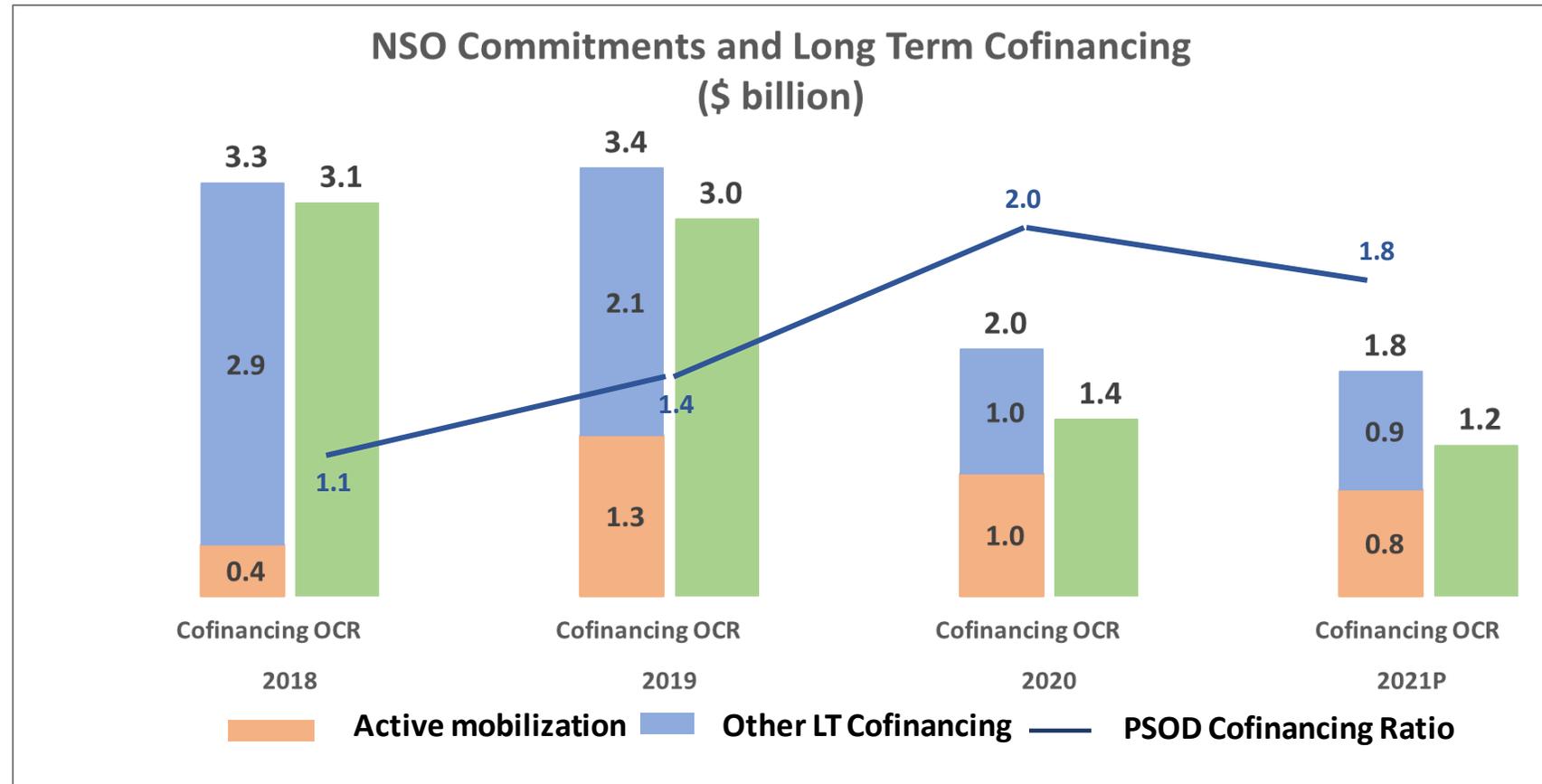
- B loans
- Guarantees
- Risk transfers
- Parallel debt / equity

Official cofinancing

- LEAP
- Donor funds
- Grants

Initiatives

- \$1 bln master insurance policy
- Expanded syndication team
- SO credit enhancements



Opportunities

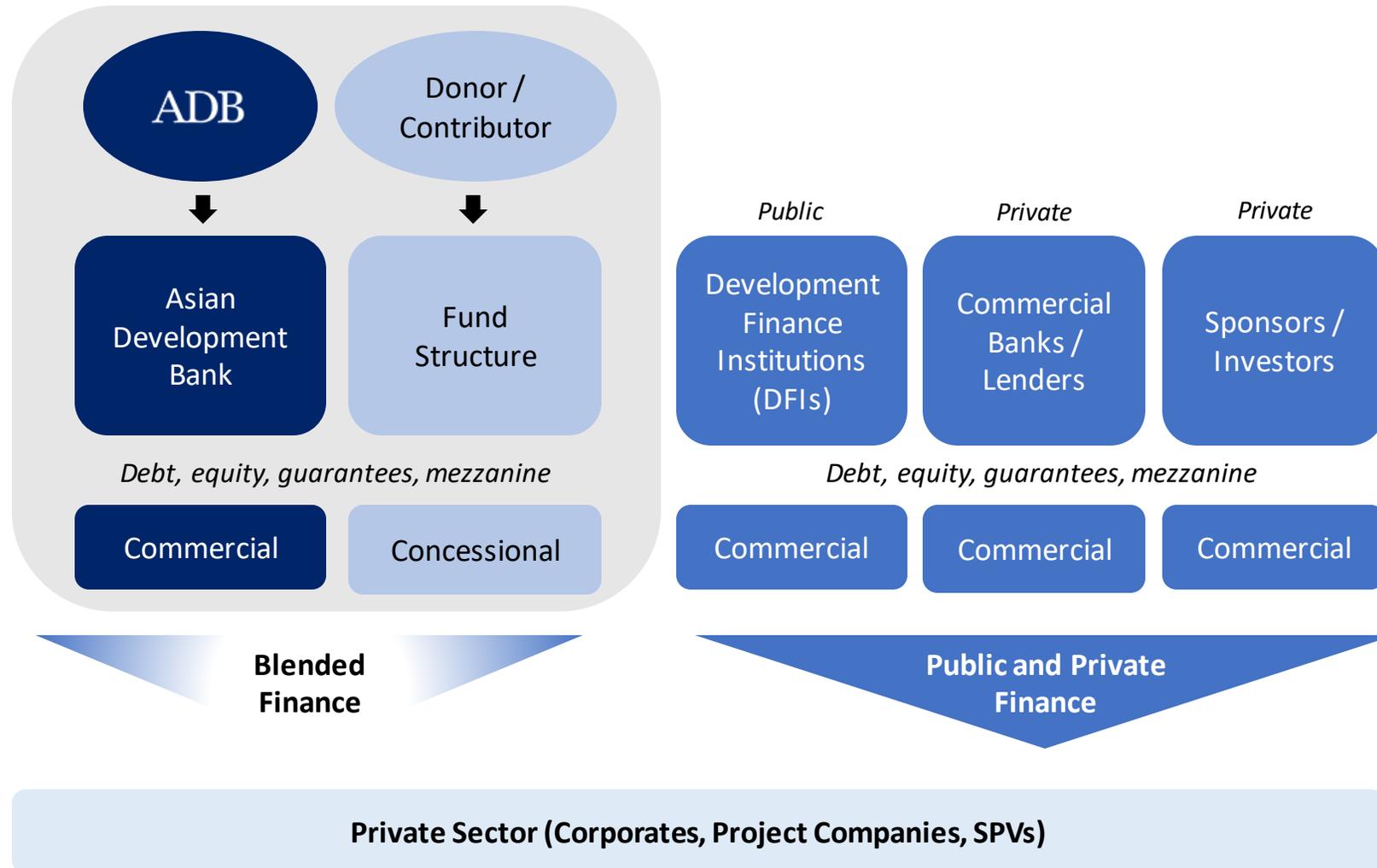
- Climate finance
- Market appetite
- One ADB
- Sector expertise



Blended Finance

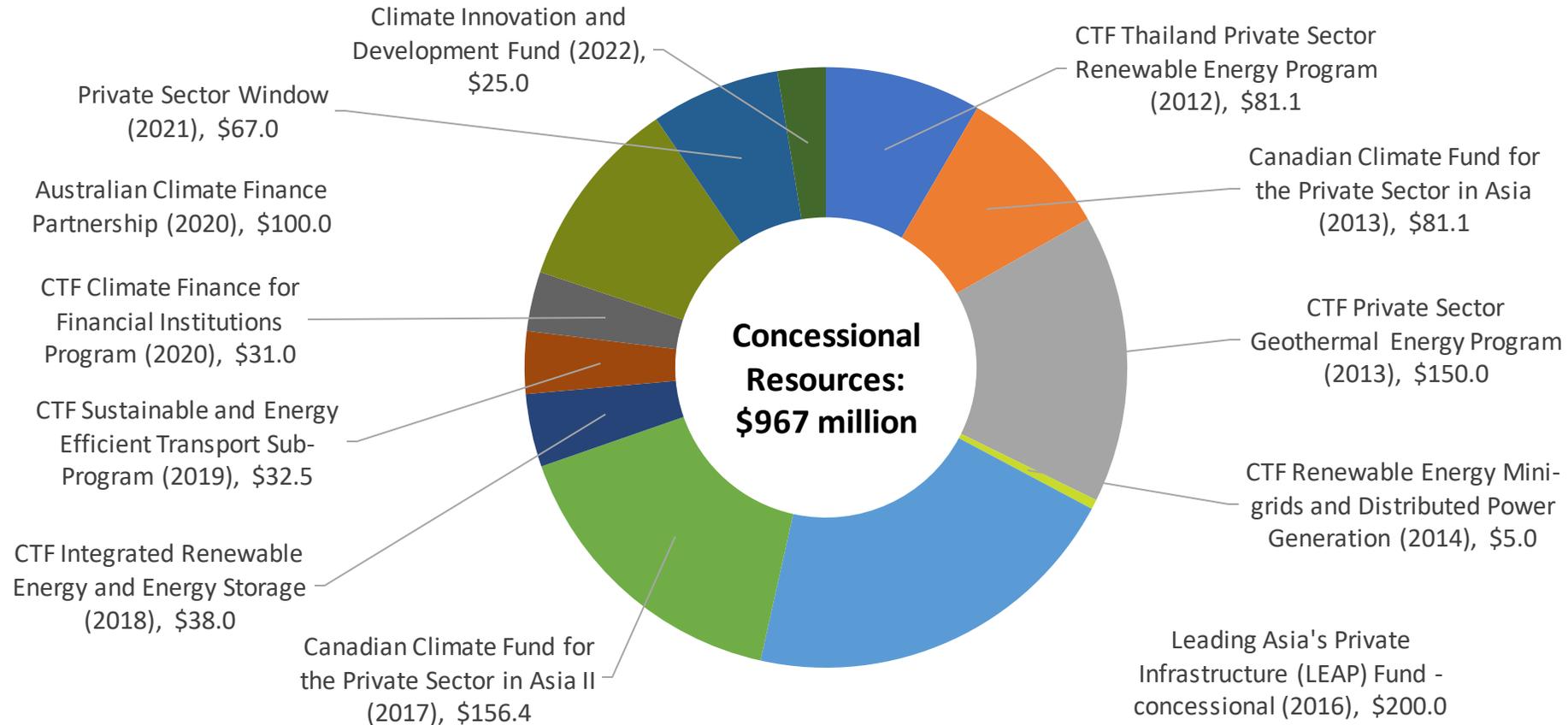
Blended Concessional Finance Facilities

Combining concessional finance from donors or third parties alongside DFIs' own account finance



ADB's Blended Finance Facilities

PSOD managed \$967 million of concessional financing through 11 concessional financing funds and facilities (as of 22 June 2022)

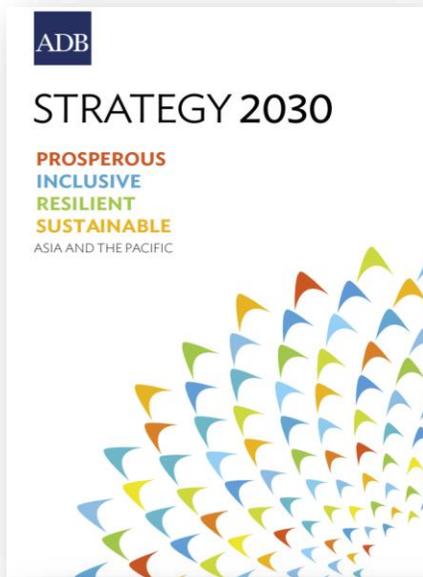


In addition, PSOD manages the Leading Asia's Private Infrastructure (LEAP) Fund: US\$1.3 billion, commercial co-financing (2016)



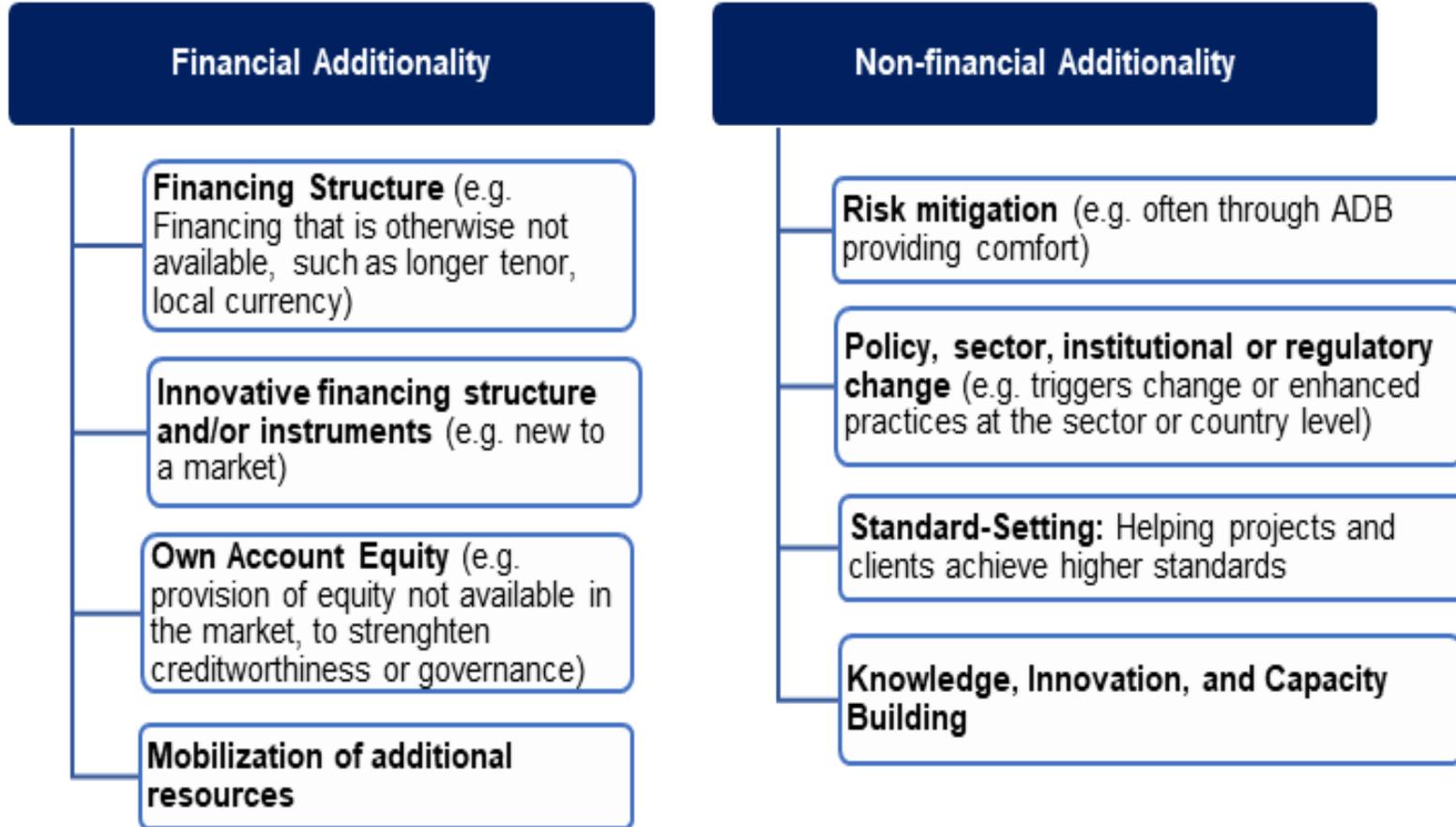
Development Impact and Effectiveness

PSOD and Development Effectiveness (DE)



- **Strategy 2030** – private sector operations will reach **one-third of operations in number** with **development impact** as the key objective.
- Projects will increasingly be higher risk, experimental, innovative, and strongly developmental.
- IED reports declining trend for development results & additionality.
- The **Operational Plan for Private Sector Operations** proposes a portfolio approach to development impact, risk, and financial returns.

Additionality – Financial and Non-Financial



Example: PRAN Agribusiness project

ADB provided 7-year financing which was not available in the domestic financial markets where financing was generally provided with tenors of 1 to 2 years. Most Bangladesh financial institutions had uncertain financial outlooks, which limited the availability of domestic financing in general .

Tiwi and MakBan Geothermal Power Green Bonds project

ADB safeguard requirements for APRI to prepare environmental and social compliance audit reports helped ensure that the project applies internationally accepted environmental and social safeguards exceeding national standards in various dimensions.

How Results Are Communicated

PRIVATE SECTOR OPERATIONS

Report on Development Effectiveness



PRIVATE SECTOR OPERATIONS IN 2021

REPORT ON DEVELOPMENT EFFECTIVENESS

MAY 2022

[Click here to access the report](#)

ASIAN DEVELOPMENT BANK



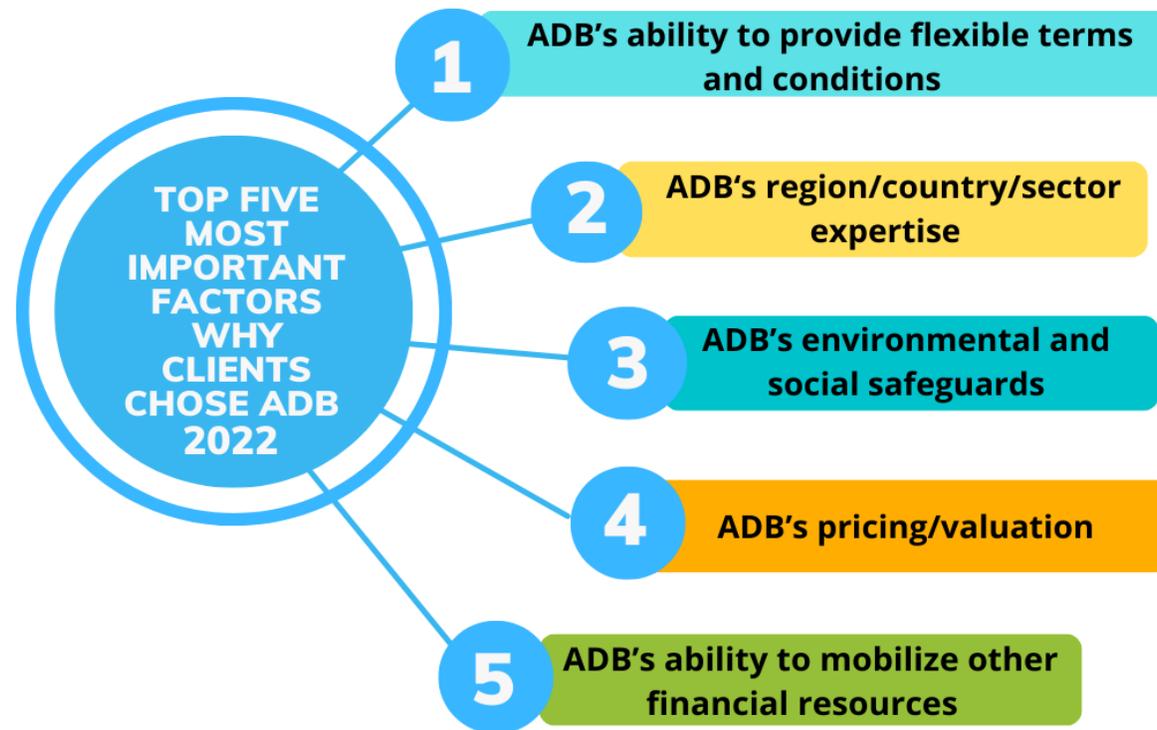
- The **Private Sector Operations Report on Development Effectiveness** series reviews the development effectiveness of private sector operations, its alignment to the **Operational Plan for Private Sector Operations**, and its contributions to **Strategy 2030** and the **Sustainable Development Goals**.
- The 12th edition of this series highlights various programs and projects such as assistance for coronavirus disease (COVID-19) response; operational priorities, including strategic focus, cofinancing and special initiatives; and activities supporting enhanced development effectiveness.



Award Winning Service

High Client Satisfaction

We are proud that all our private sector clients report high satisfaction with our products and services, with 93% saying they would be happy to work with ADB again



High Client Satisfaction

- We are the climate bank of the region
- Solution-oriented
- Client partnerships are our strength
- Long-term relationships



Examples of Transactions With Impact

VIET NAM: LOTUS WIND POWER PROJECT



Client

Power Construction Joint Stock Company No.1 / Renova, Inc.

Borrower

Lien Lap Wind Power Joint Stock Company / Phong Huy Wind Power Joint Stock Company / Phong Nguyen Wind Power Joint Stock Company

ADB Commitment

\$35.0 million A-loan from ADB's OCR; \$81.0 million B-loan from commercial banks; \$25 million parallel loan from JICA; \$32 million parallel loan from Export Finance Australia

Key Features

This is one of the first and largest wind power projects in Viet Nam with international limited-recourse project financing.

The 144MW wind farm has reached commercial operation in October 2021 and increased Viet Nam's wind generation capacity by 30%.

Knowledge transfer to the Vietnamese sponsor from its Japanese equity partner. The project is a One ADB collaboration between ADB's Private Sector Operations Department, Southeast Asia Department, and its Viet Nam Resident Mission.



ADB's Value Addition

As the mandated lead arranger, ADB developed a limited-recourse financing structure to address key bankability issues of the power purchase agreement, which enabled the participation of commercial banks and other development finance institutions and mobilized \$138 million at a cofinancing ratio of 3.9:1.

Enhancing environmental and social and gender standards, with an effective gender mainstreaming gender categorization and a climate certification by the Climate Bond Initiative.

Examples of Transactions With Impact

FIJI: FIJI AIRWAYS COVID-19 SUPPORT FACILITY

Client

Air Pacific Limited, trading as Fiji Airways

ADB Commitment

\$40 million loan from ADB's OCR; \$25 million loan from the LEAP Fund categorization.

Key Features

- This is ADB's first private sector loan in Fiji and first private sector financing for the airline sector.
- Fiji Airways is the South Pacific's leading airline, with a strong safety record, a new aircraft fleet, and a history of profitable operations. It provides essential transport for Fiji and other small island developing states in the South Pacific, and is a foundation for economic and social development in the region.
- The financing facility benefits from a sovereign guarantee for the loan principal.
- This One ADB collaboration between the Private Sector Operations Department and the Pacific Department / Pacific Subregional Office is aimed at integrating its local knowledge and contacts.



ADB's Value Addition

- Providing key financing to ensure that Fiji Airways transitions through the COVID-19 pandemic and that it will emerge with the capability to resume its central role in transport infrastructure for Fiji and other Pacific countries.
- Mobilizing a financing package from the JICA-funded and ADB-managed LEAP Fund to broaden financial support for Fiji Airways.
- Promoting gender equality, and thus achieving effective gender mainstreaming

Examples of Transactions With Impact

GEORGIA: GEORGIAN RAILWAY GREEN BOND PROJECT

Client:

Georgian Railway

ADB Commitment:

\$20 million debt security from ADB's ordinary capital resources (OCR)

Key Features

- ADB, as anchor investor, invested in green bonds issued by Georgian Railway, attracting international investors to the first green bond issuance by a state-owned enterprise and transport company from Georgia and the South Caucasus.
- S&P Global provided assurance that the eurobonds align with the International Capital Market Association's Green Bond Principles. Georgian Railway is the sole railway company operating in Georgia and one of the country's largest employers.



ADB's Value Addition

- Through its involvement in this successful green bond issuance, ADB is filling a critical market gap amid uncertainty and market disruptions caused by the COVID-19 pandemic, to helping ensure financial and operational sustainability of the railway company.
- Enhancing regional trade and connectivity via optimized logistic chains and improved transport.
- Strengthening gender design features in Georgian Railway's operations to address key gender equality issues.

Examples of Transactions With Impact

Client:

Zenex Animal Health India Private Limited (Z AHL)

ADB Commitment:

INR780 million equity from ADB's OCR and \$575,000 TA

Key Features

- Support the increased production of high-quality animal health care products, to help smallholder farmers mitigate disease risk, reduce losses, and increase productivity, and thereby improve their incomes.



INDIA: ZENEX IMPROVED ANIMAL HEALTH AND WELFARE PROJECT

- Promote awareness of antimicrobial resistance (AMR), better farm hygiene, and biosecurity best practices, and enhance gender inclusion at the corporate and farm levels.
- The project will be ADB's Private Sector Operations Department's first agribusiness co-investment leveraging on the market reach and due diligence abilities of an existing investee private equity fund. This is also the department's first investment in a new sector of animal health. The animal health sector is an extremely important sector for ADB in the post-COVID-19 world, where improvements in biosecurity, AMR mitigation, and zoonosis prevention have gained immense significance.

- The project benefits as well from strong collaboration between ADB's Private Sector Operations Department and its South Asia Regional Department.
- Having acquired the animal health business from its previous owners, Z AHL is now the second-largest animal health company in India, with a diversified portfolio across species as well as product categories. It has a well-regarded, technically trained field force and a wide distribution network reaching 100,000 veterinary doctors and more than 100,000 farmers.

ADB's Value Addition

- Providing equity capital, to fill a market gap.
- Encouraging the adoption of best safeguards and governance practices, and improvements in industry best practices.
- Promoting gender inclusion. The transaction is categorized as effective gender mainstreaming.

Award-Winning Service

 <p>Outstanding Leadership in Sustainable Finance by a Multilateral Institution Asian Development Bank</p> 	 <p>Multilateral Agency of the Year, Asia-Pacific Asian Development Bank</p> 	 <p>Best Project Finance Bank Asia Pacific 2021 Asian Development Bank</p> 	 <p>Asia Pacific Development Finance Institution of the Year Asian Development Bank</p> 
 <p>Best Trade Finance Provider Best Development Bank in Trade Finance (Global) Trade and Supply Chain Finance Program</p> 	 <p>Sustainable Finance Award Outstanding Leadership in Sustainable Finance by a Multilateral Institution for Asia-Pacific Trade and Supply Chain Finance Program</p> 	 <p>Recognition for Promoting Sustainability and Green Initiatives Trade and Supply Chain Finance Program</p> 	 <p>Global Trade Review Leaders in Trade Innovation Trade and Supply Chain Finance Program</p> 
 <p>Green Project of the Year B. Grimm Viet Nam Solar Power Project (Phu Yen Project) (Viet Nam)</p> 	 <p>Green Project of the Year Green Loan for Renewable Energy and Electric Vehicle Charging Network (Thailand)</p> 	 <p>Renewable Energy Project of the Year - Solar Spectra Solar Power Project (Bangladesh)</p> 	 <p>Renewable Energy Deal of the Year - Solar Gujarat Solar Power Project (India)</p> 
 <p>Renewable Energy Deal of the Year - Solar Gulf Solar Power Project (Viet Nam)</p> 	 <p>Water Deal of the Year Binh Duong Water Treatment Expansion Project (Viet Nam)</p> 	 <p>Water Deal of the Year Climate-Resilient and Smart Urban Water Infrastructure Project (People's Republic of China)</p> 	 <p>Battery Storage Deal of the Year Southern Thailand Wind Power and Battery Energy Storage Project (Thailand)</p> 
 <p>Asia Pacific Water Deal of the Year Binh Duong Water Treatment Expansion Project (Viet Nam)</p> 	 <p>Renewables Solar Frontier Market Deal of the Year Navoi Solar Power Project (Uzbekistan)</p> 	 <p>Editor's Choice as the Outstanding Deal in the Region Asian Sustainable Infrastructure Mobilization Project (Regional)</p> 	 <p>DFI Deal of the Year Mazar Gas-Fired Power Project (Afghanistan)</p> 
 <p>Power Deal of the Year Mazar Gas-Fired Power Project (Afghanistan)</p> 	 <p>Power Deal of the Year Reliance Bangladesh Liquefied Natural Gas and Power Project (Bangladesh)</p> 	 <p>Oil and Gas Deal of the Year COVID-19 Emergency Energy Supply Project (People's Republic of China)</p> 	
 <p>Recognition for Supporting Sustainability B. Grimm Viet Nam Solar Power Project (Phu Yen Project) (Viet Nam)</p> 	 <p>Recognition for Supporting Sustainability Georgian Green Bond Project (Georgia)</p> 	 <p>Recognition for Supporting Sustainability Navoi Solar Power Project (Uzbekistan)</p> 	

Note: ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021.



(Source: Private Sector Operations in 2021: Report on Development Effectiveness)

Thank you

