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ADB's Private Sector Operations

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PRINCIPAL TRANSACTION SUPPORT
SPECIALIST (INTEGRITY), PSOD/PSTS



11TH BUSINESS OPPORTUNITIES FAIR 2023

4 - 5 OCTOBER 2023 | 9:00 AM - 5:00 PM | MANILA



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Rationale for ADB's Private Sector Operations (PSO)

ADB's PSO will reach
one-third of
ADB operations in
number by 2024

*Strategy 2030: Achieving a Prosperous, Inclusive,
Resilient, and Sustainable Asia and the Pacific,
July 2018*

The private sector is the **largest contributor** to economic growth in Asia and the Pacific. A dynamic future for the region depends upon a dynamic private sector.

Significant **challenges in business environments** and **gaps in financial markets** continue to prevent Asia and the Pacific from realizing more inclusive and sustainable growth.

- Supply of long- and short-term **financing** including **local currency**
- Lagging Asian **capital markets** (e.g. project bonds and climate bonds)
- Availability of key financial market **products** (e.g. leasing, insurance and affordable housing loans)
- Gaps in **financial inclusion**

PSO exists to help **bridge these gaps** and meet these challenges.

- Champion **new products**, financing structures and companies
- Provide least amount of own funding to attract **commercial cofinancing** without distorting private markets



Strategy 2030 Operational Priorities

Integrated approach: sector, product, thematic priorities and special initiatives

-  Addressing remaining poverty and reducing inequalities
-  Accelerating progress in gender equality
-  Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
-  Making cities more livable
-  Promoting rural development and food security
-  Strengthening governance and institutional capacity
-  Fostering regional cooperation and integration



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 terms	When is it relevant?
<div style="background-color: #f47920; color: white; padding: 10px; text-align: center; font-weight: bold;">Debt</div>	<ul style="list-style-type: none"> • 7 years (corporate) to 15+ years (project) • ADB base rate / ADB cost of funds 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
<div style="background-color: #f4a460; color: white; padding: 10px; text-align: center; font-weight: bold;">Equity</div>	<ul style="list-style-type: none"> • 25% ownership maximum • Board seat • Minority protection rights • Put on the parent company • For funds, advisory committee seat 	<ul style="list-style-type: none"> • Direct: growth companies at any stage through IPO (cornerstone or anchor investment) • Private equity and VC funds: established fund managers • ADB Ventures: early-stage companies focused on new technologies
<div style="background-color: #a6a6a6; color: white; padding: 10px; text-align: center; font-weight: bold;">Guarantees</div>	<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)
<div style="background-color: #4f81bd; color: white; padding: 10px; text-align: center; font-weight: bold;">Blended Finance</div>	<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
<div style="background-color: #0072bc; color: white; padding: 10px; text-align: center; font-weight: bold;">Technical Assistance</div>	<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



Programs

Products



Trade Finance Program

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

- Risk participation (unfunded/funded) –
- Credit guarantee -
- 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 (unfunded/funded)
- 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)
- Guarantee
- Training and capacity building

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



Project Selection Criteria

Characteristics of PSOD Projects



Inclusive

- Broad access and participation in growth



Replicable and Scalable

- Maximizing value of ADB projects (“ripple effect”)



Transformational

- Having a regional or global impact



Sustainable

- No (limited) government guarantees / subsidies



Aligned with ADB Strategies and Agenda

- Country- / Sector-based strategies



Bankable

- A good business proposition – grows and makes money!

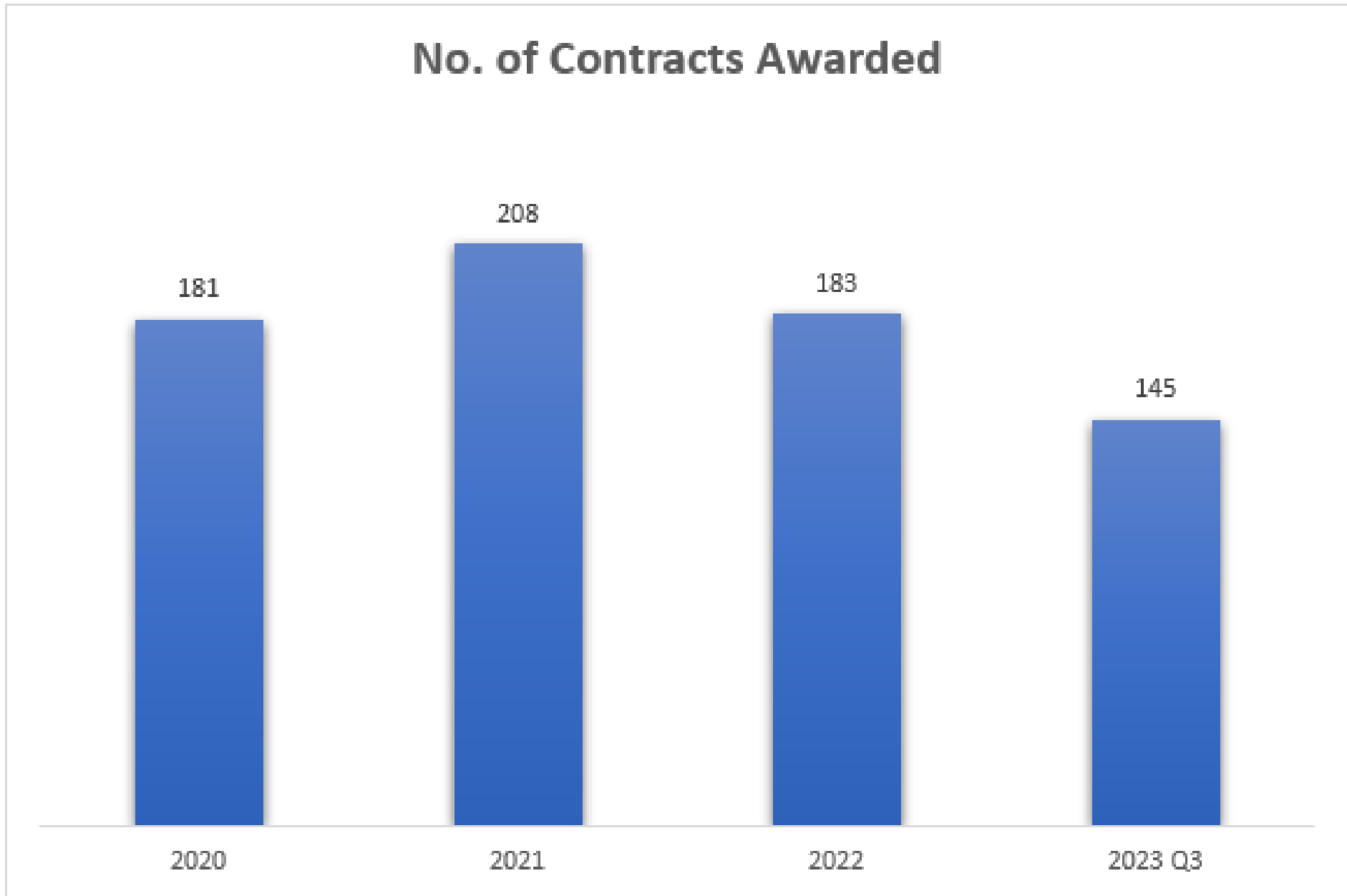


PSOD Regional and Country Presence

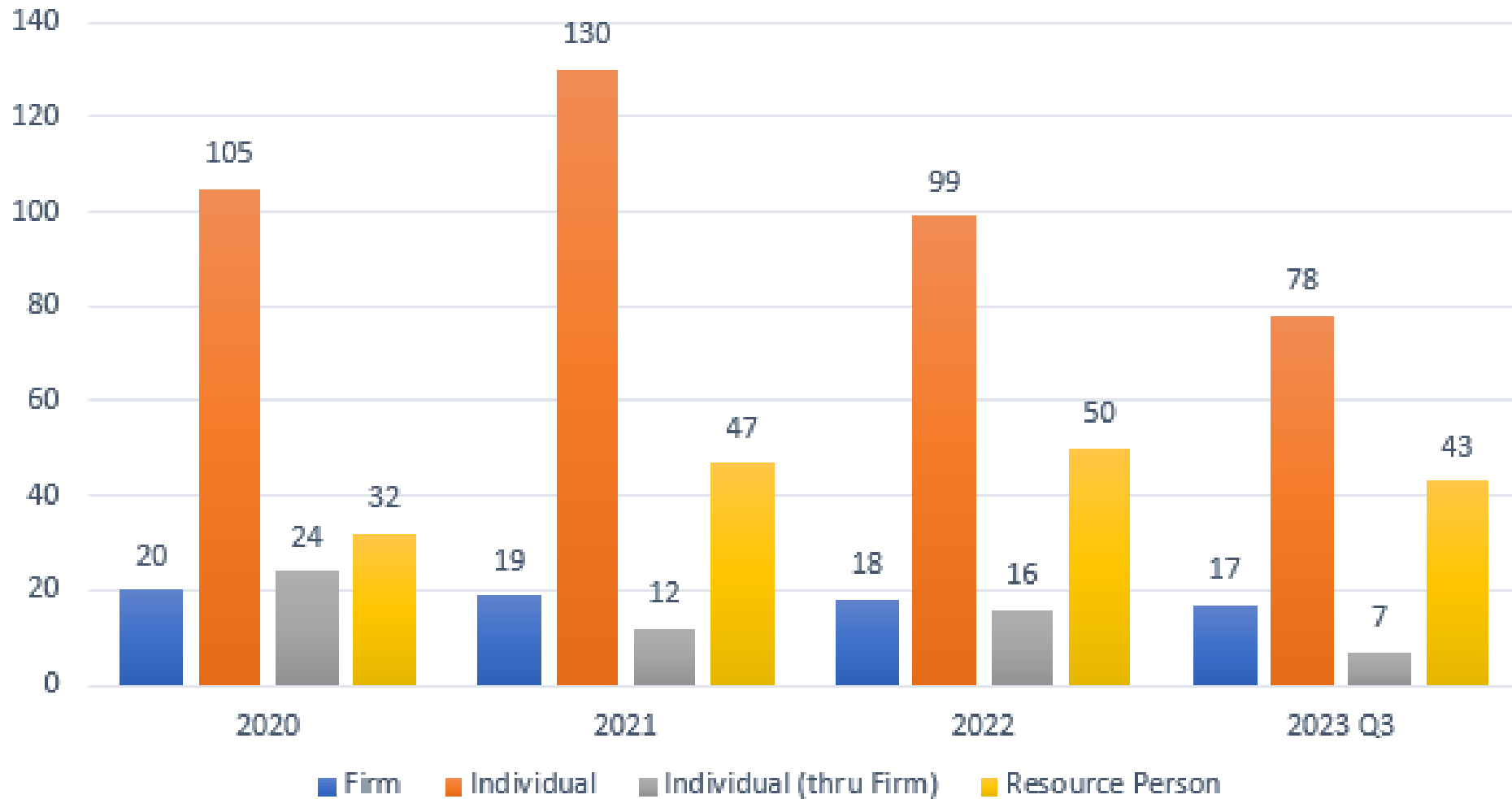
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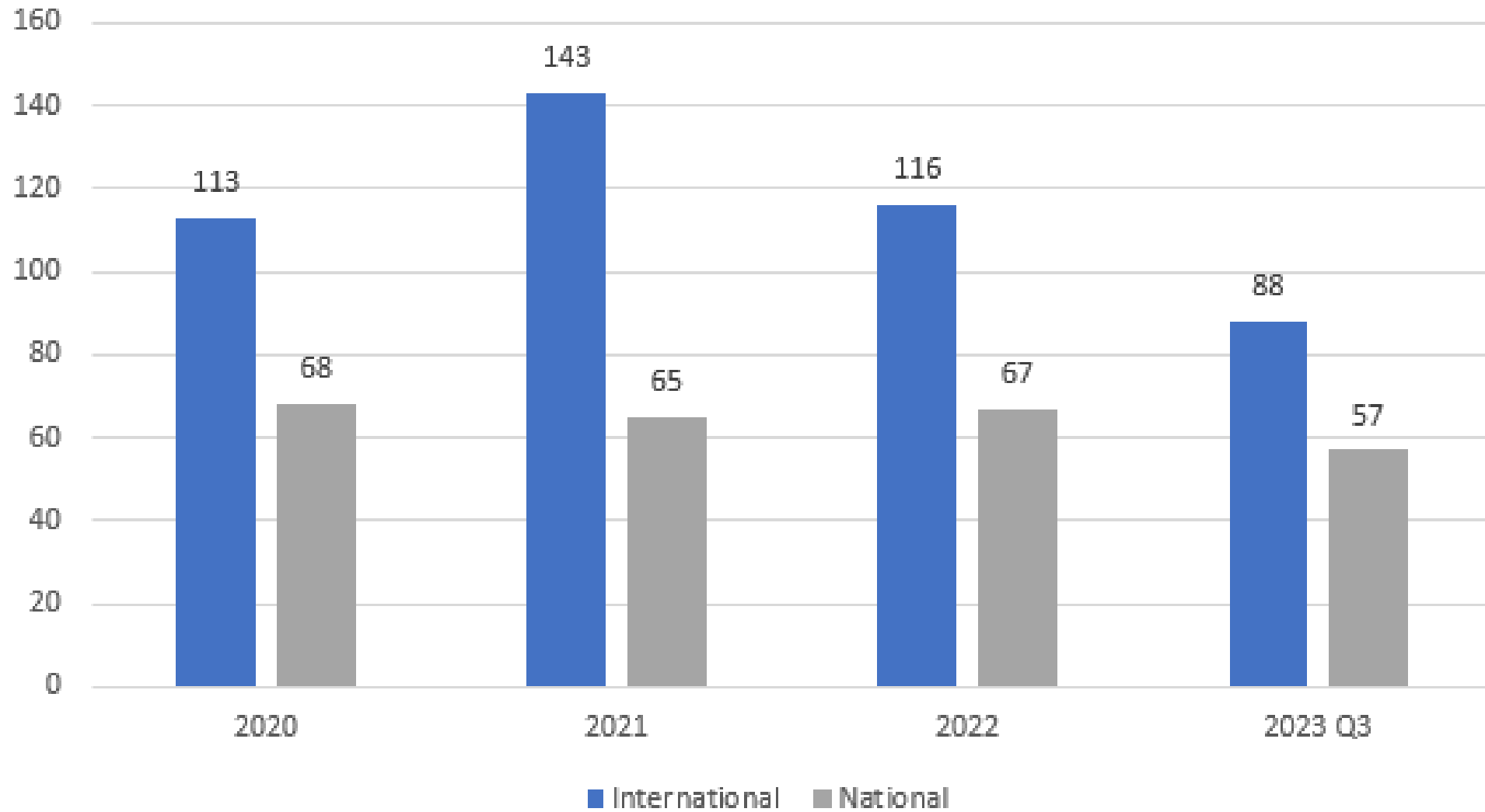
No. of Contracts Awarded



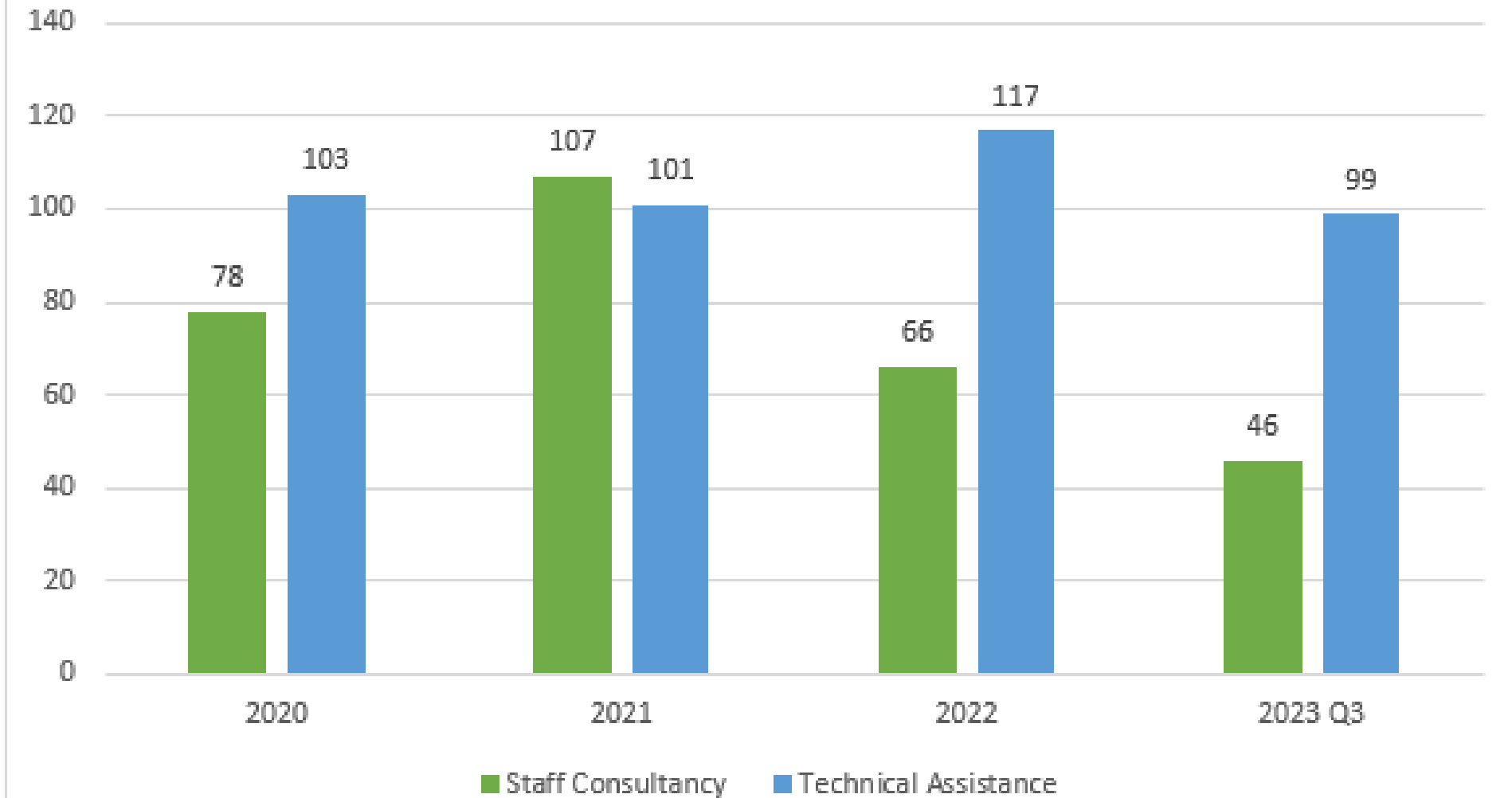
No. of Contracts Awarded by Consultant Type



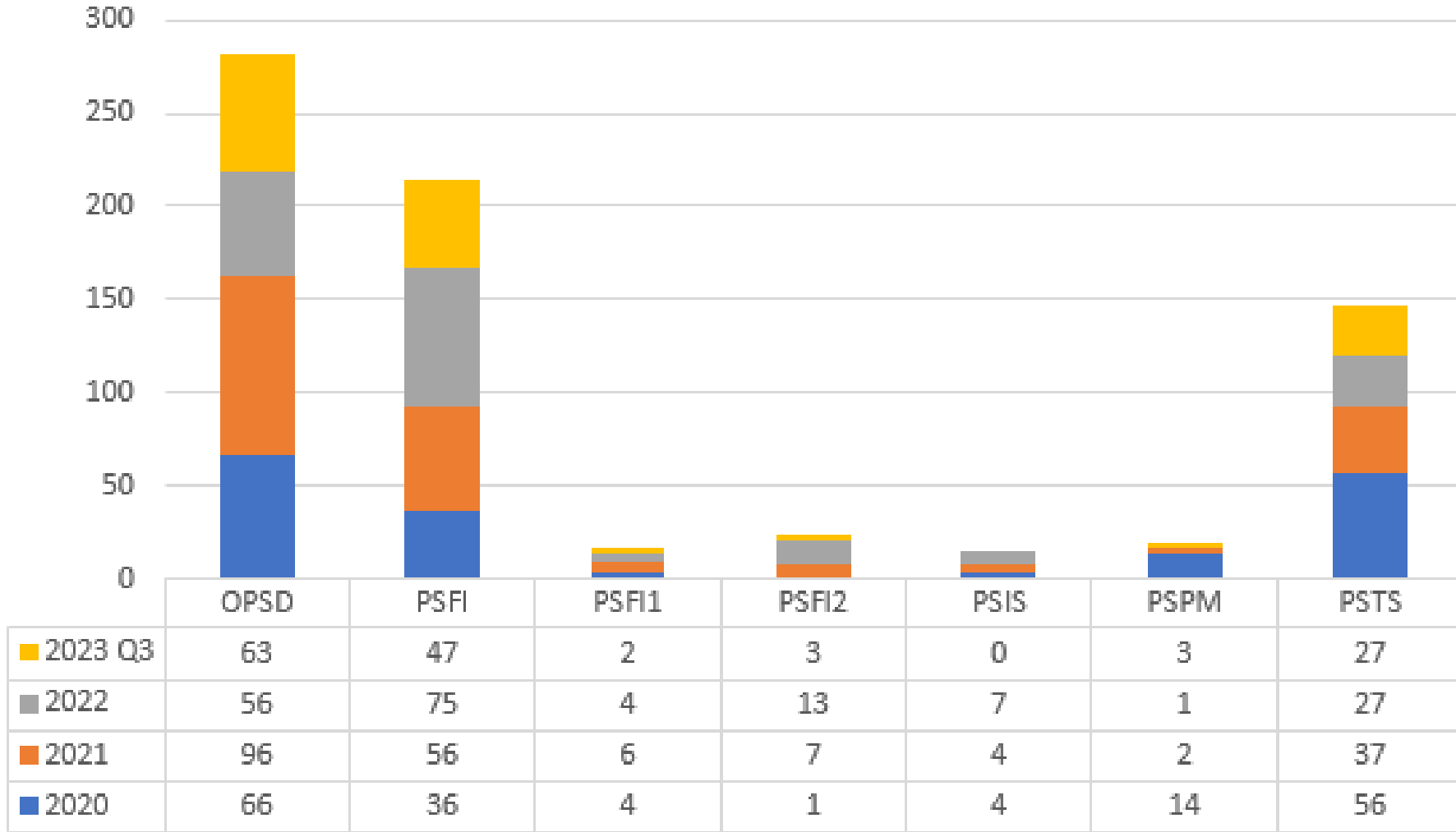
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No. of Contracts Awarded by Project Type

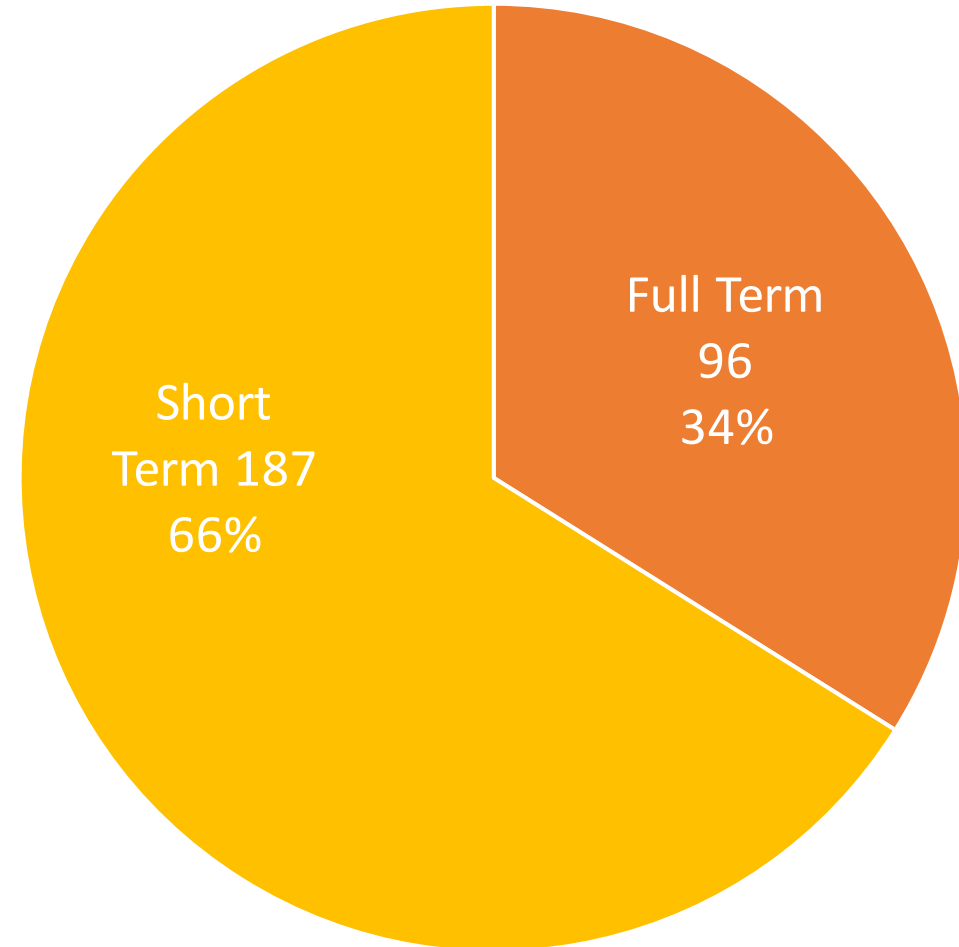
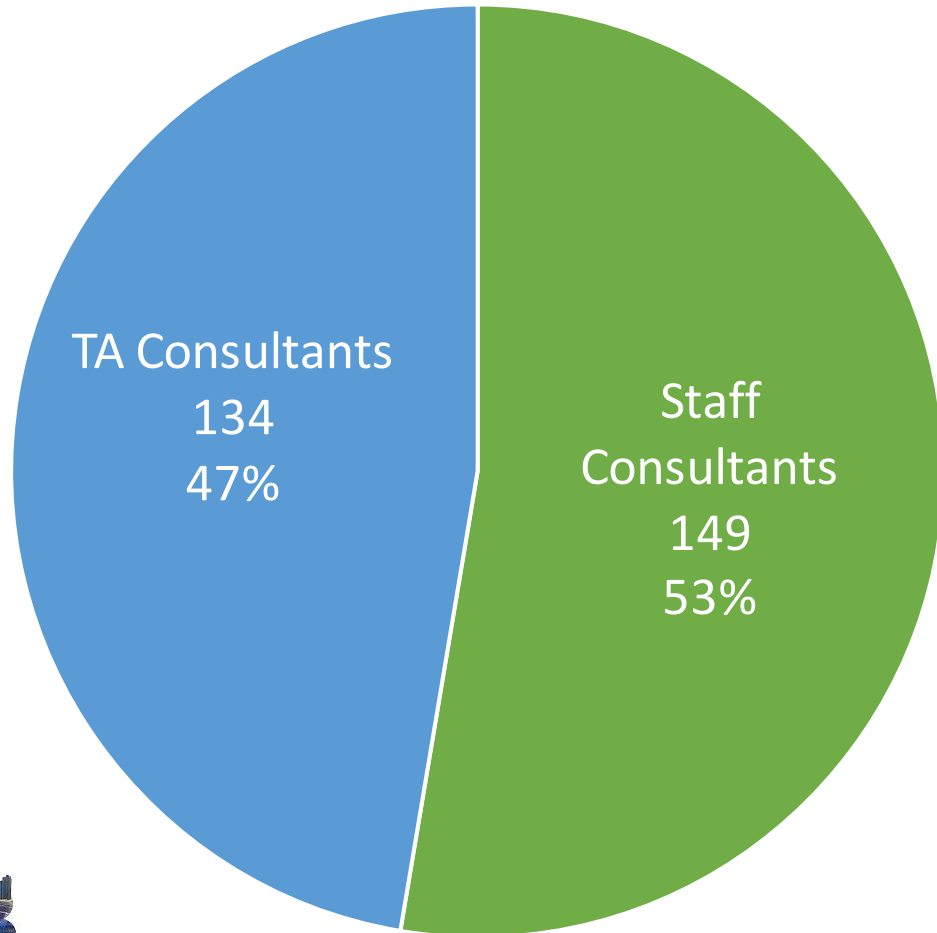


No. of Contracts Awarded by PSOD Division



PSOD TA Consultants Contract

31 August 2023





Thank You!

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