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ASIA AND THE PACIFIC FUTURES DIALOGUE

12-13 June 2024 • Luxembourg



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance



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THE GOVERNMENT
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Ministry of Finance

DAY 2 : 13 June 2024

Financial Sector Partnership Special Fund: Supporting Innovative and Sustainable Finance Sector in Asia and the Pacific

Link to video: <https://www.youtube.com/watch?v=u5LeI7N1dEs>

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THE GOVERNMENT
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Ministry of Finance

DAY 2 : 13 June 2024

PART 1 SEMINAR

PRESENTATION 1: FINANCING AN INCLUSIVE AND SUSTAINABLE ASIA AND THE PACIFIC THROUGH ADB'S STRATEGY 2030



CHRISTINE ENGSTROM

SENIOR DIRECTOR
FINANCE, SECTORS GROUP
ASIAN DEVELOPMENT BANK

Financing an Inclusive and Sustainable Asia and the Pacific through ADB's Strategy 2030

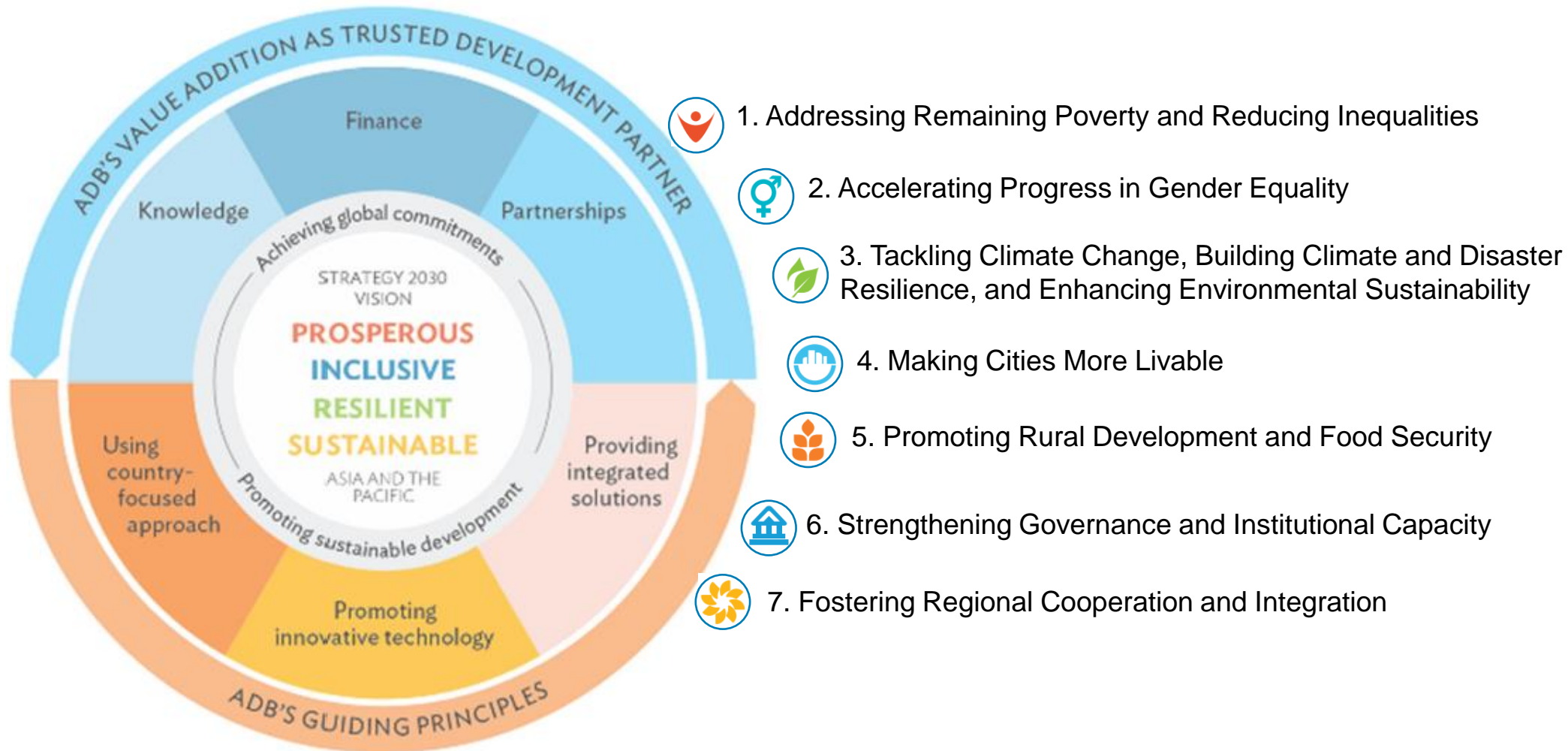
13 June 2024
Big Bang Room, LHoFT
Luxembourg

Christine Engstrom
Senior Director, Finance
Asian Development Bank





Strategy 2030 and the 7 Operational Priorities





How Does ADB Support Financial Sector Development?

Private Sector Products for FIs	
Funded	Medium and long- term debt/bonds in local currency or USD loans for targeted use (SMEs, women, housing)
	Tier II / sub debt
	Equity for growth/pre-IPO Fund of funds
Unfunded	Short-term trade finance lines
Co-financing/ Mobilization	B-loans, parallel loans, guarantees, credit insurance
Technical Assistance	Grants, donor funds for blended finance, capacity development, and new product development

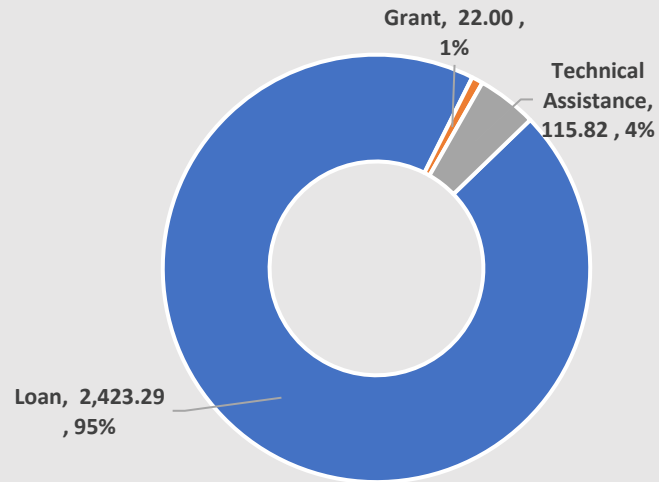
Sovereign Products	
Loans	-Governments for policy reforms to strengthen regulatory environment and introduce new policies
	-State-owned financial institutions/funds to provide financing to address market gaps/not distorting markets
Guarantees	Guarantees to de-risk or raise ratings for sovereign bond issuances (e.g., debt for nature swaps)
Technical Assistance	Grants, donor funds to help governments/state-owned banks to build capacity, develop taxonomies, pilots, create new sectors, blended finance



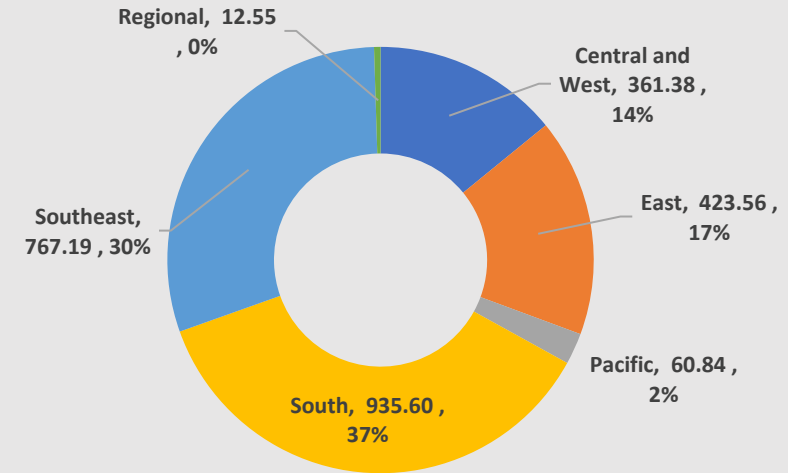
Sovereign Sector Portfolio

Active Portfolio: \$2.6 billion (as of December 2023)

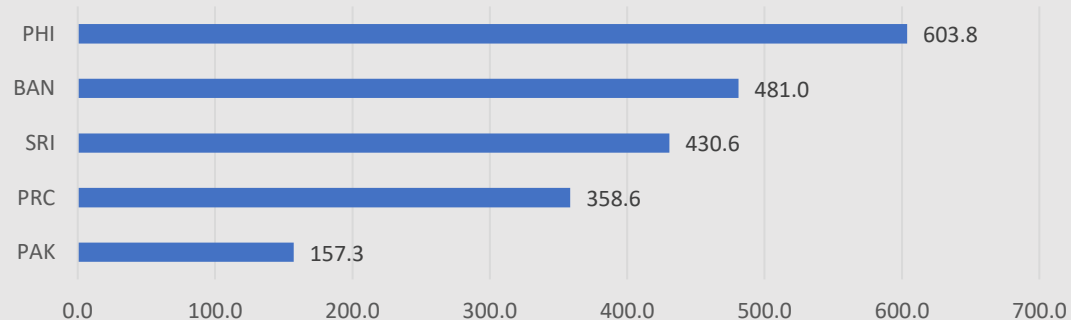
By Type (\$ million)



By Region (\$ million)



Top 5 DMCs (\$ million)

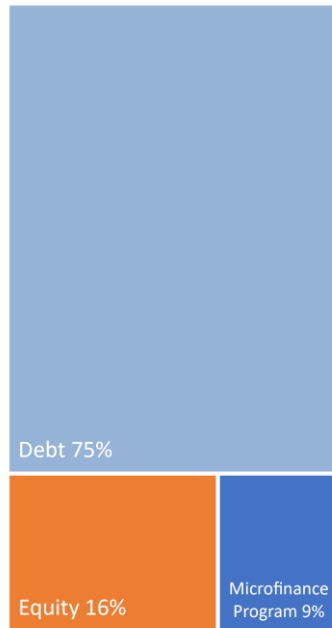


NOTE: Amounts include cofinancing
Source: Finance Sector Office Database

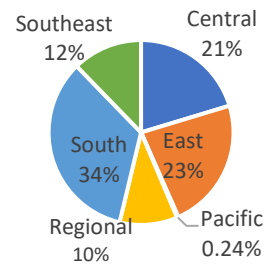
Private Sector Operations Portfolio*

- Approximately 25% of the overall Private Sector Operations Department portfolio.
- The portfolio is primarily debt at \$1.8 bln
- The equity portfolio of \$388 mln is dominated by companies with pan-regional scope

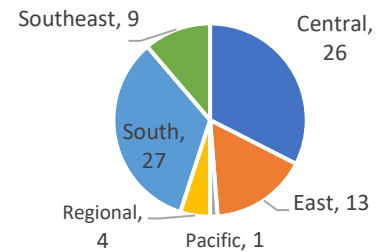
Portfolio: \$ 2.4 bln



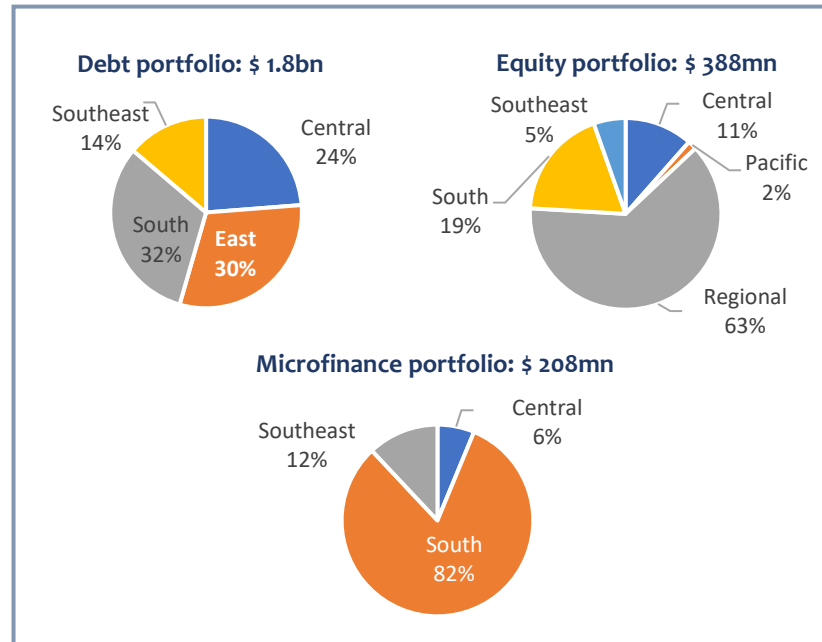
Total portfolio value by geography



Total portfolio projects by geography



PSFI portfolio products' geographic distribution



*up to May 2024



ADB is Evolving to Meet Complex Challenges

Key Issues in Financial Sectors

Lack of Access to Financial Services

Account ownership: East Asia and Pacific at 57% and South Asia, 68% (avg. 71% in developing countries).
Borrowing from a formal FI (World Bank Findex Data as of 2021):
India: 13% of people borrow from a formal financial institution (women: 11%); Indonesia: 13.2% (women: 16.7%); Pakistan: 3.6% (women: 3.3%)

Financial Resilience

Low insurance coverage: Insurance penetration modest: 3.6% compared with 8.6% in advanced countries in 2022 [e.g., Singapore (9.2%)]: Thailand (5%), India (4%), Indonesia (1.4%), Bangladesh (0.5%)

Digital Finance Services

Recent ADB study: ~130 indicators across seven dimensions (incl. financial inclusion, digital infrastructure, financial market profile, and regulations). With the top scores of 700, nearly all DMCs fell below scores of 400 with the bulk under 300.

Underdeveloped Capital Markets

No. of companies listed on stock exchange: Philippines and Sri Lanka: (near) 300; Thailand: 840; Indonesia: 903
Market capitalization (Dec. 2023): Philippines: \$240 bln; Sri Lanka: \$16 bln; Thailand: \$510 bln; Indonesia: \$750 bln.

Structural Weaknesses & Corporate Governance Issues

Access to long-term finance problematic in most markets
Underdeveloped nonbank markets: e.g., Indonesia, Uzbekistan, Sri Lanka, Cambodia, Azerbaijan, Viet Nam
Large state-owned banks dominating markets: Uzbekistan (but evolving), Sri Lanka
Weak corporate governance & risk management
Evolving regulations: countries phasing in Basel III standards

Climate and Nature Risk

Risk to existing clients/portfolio – overall systemic risk. 85% of economic losses incurred due to natural disasters 2014 to 2023 were not covered by insurance (Swiss Re).
Lack of capacity to build pipelines/help clients transition
Some newer areas are still not commercially viable for banks/customers

ADB's Strategy is Evolving: The Four Shifts



SHIFT
Climate change

Increase our capacity as the region's climate bank by embedding climate action across our operations and near-doubling our annual climate financing

SHIFT
Private Sector development

Strengthen our role as a catalyst for the private sector by spurring greater private sector participation in Asia's development

SHIFT
Solutions

Elevate our role as the region's solutions bank through holistic, knowledge-based, innovative and integrated solutions

SHIFT
New ways of working

Empower staff to provide value and impact to clients by living our values and becoming more efficient, agile and collaborative

Key Shifts in Financial Sector Strategy

Climate Shift

- **Mainstreaming climate finance** in majority of operations. Target of 75% of projects.
- **Designing dedicated climate finance operations and providing funding**
- **Supporting transition finance**
- **Promoting nature finance and solutions**
- **Creating markets**
- **Enhancing institutional capacity of DMCs and FIs:** improving DMCs and FIs' capacity in tackling climate change, providing products to customers, and enhancing climate-related disclosure through numerous TAs, policy dialogue, and engagements
- **Working through partnerships globally and in the region,** e.g., GFANZ, Asia Capital Markets Finance Forum, IOSCO, IDF

Digital Shift

- **Enhancing digital capacity of FIs for financial inclusion** through strategy and products. Providing funding through private sector operations.
- **Strengthening capacity of SMEs** using digital solutions through technical assistance grants, e.g., Papua New Guinea
- **Working with governments** on digital infrastructure and other new products

Private Sector Development Shift

- **Working closely with ADB's private sector operations team to promoting upstream** financial sector reforms for private sector development e.g. Uzbekistan Inclusive Finance Sector Development Program
- **Supporting capital markets development and contractual savings,** e.g. PHI Pension and Insurance Program
- **Promoting access to finance through FIs and knowledge,** e.g., various SME financing programs and projects and financial literacy
- **Dedicated support** to develop private sector capacity, e.g. the PNG Improving Financial Access and Entrepreneurship Development Project
- **Developing institutions** for private sector financing
- **Enabling the real economy,** e.g., through supporting the financial sector to efficiently channel finance to the infrastructure/energy sector, agriculture, and housing.

Implementing Strategy on the Ground

Uzbekistan: Small and Medium-Sized Enterprises Development Program, Subprogram 2

Client: Government

ADB Commitment: \$100 million

Key Features

- Policy-based loan supports small and medium-sized enterprises (SMEs) to provide an enabling environment for growth, diversification, and to create high-value-added jobs.
- The second subprogram covers reforms to diversify financial instruments for SMEs to help reduce the cost of doing business, trade facilitation, and skills development to improve human capital.
- Introduces upstream finance policies to promote downstream investments including for the private sector.

ADB's Value Addition

- Program provides cross-sector reforms needed for SMEs to become drivers of diversified and sustainable economic growth. In addition, it serves as a platform for implementing key aspects of the government's private sector development strategy, the Digital Uzbekistan 2030 Strategy, and as a platform for innovations (such as UZVC and a regulatory sandbox to pilot fintech solutions) in support of SMEs.
- Technical assistance helps implement the State Fund's corporate transformation and build its institutional capacity, prepare the legal framework for partial credit guarantees, and build the capacity of the newly constituted SME Department.

Commitment Date: December 2023



At a glance

08/2021	Launch
2,100+	WSMEs financed
300+	WSMEs trained
13	Knowledge events 1,700+ participants (~280 FIs)
553	Newsletter subscribers (94% external)

Key Pillars with a Gender Lens



**Innovation and
Technology**



**Sustainable
Finance**



**Knowledge
Solutions**

Examples of our Work supporting PSFI transactions

- Nepal FI partner technology innovation challenge
- Green finance study: Pakistan, Lao PDR
- Viet Nam FI partners green lending support
- MFI in Georgia for gender bond framework
- FI in Georgia Sustainable Bond Framework
- WFX facility (fundraising for blended finance capital)

Funding Partners & TA Funds:



MALDIVES: Supporting Recovery of the Small and Medium Enterprise and Blue Economy Tourism Sector Project

Client: Bank of Maldives Plc (BML)

ADB Commitment: \$20 million loan, a concessional loan of \$9 million and a technical assistance of \$1 million

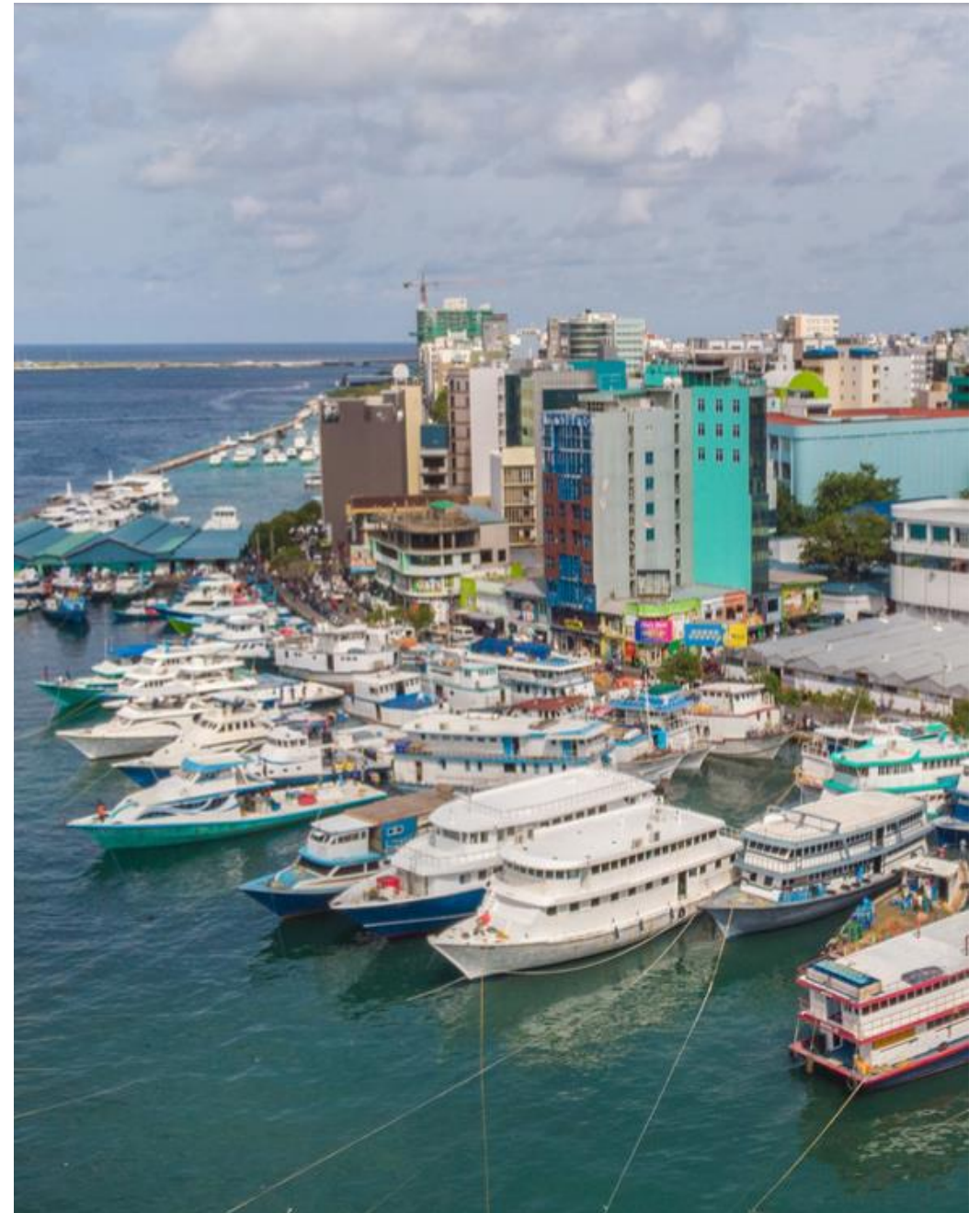
Key Features

- BML is the largest bank in Maldives and has consistently supported SMEs and tourism and plans to grow its sustainable finance book focused on the blue economy.
- The project builds BML's capacity to promote and support climate mitigation (adoption of energy efficiency and small-scale renewable energy systems) and adaptation (coastal resilience, marine ecosystem preservation and restoration, and desalination plants) projects.
- The project is ADB private sector operations first blue economy project in a SIDS country and has the first-time usage of ADB Private Sector Window (PSW) grant for supporting climate adaptation projects.

ADB's Value Addition

- Supporting economic recovery (Category A SIDS) and expanding access to finance for the tourism sector which contributes ~70% to the GDP.
- Improving climate resilience and sustainability by supporting mitigation and adaptation activities in the blue economy to help tourism companies "build back better" in preparation of tourist inflows.
- Catalyzing development finance with 2.95x cofinancing from JICA, OeEB and CFPS II.

Commitment Date: April 2022



MONGOLIA: SME Green Bond

Client: Khan Bank

ADB Approval: \$20 million debt investment in bond issuance

Key Features

- Supporting SMEs, diversification of economy
- Providing funding through capital markets to support funding for green usages including energy efficient equipment, solar, green buildings, water management, sustainable transport, and agri.
- ADB Sovereign and Private Sector Ops collaboration with technical assistance to help bank identify and develop green portfolio and build capacity, and new products.

ADB's Value Addition

- Long tenor debt of 5 years
- Supporting development of capital markets and helping bank diversify its funding base
- Mobilizing private sector financing (retail investors expected) and MDB co-financing with EBRD
- Technical assistance to help develop capacity

Commitment Date: 2024



Nature Solutions Finance Hub Launched at COP 28

Asia and Pacific Region is Particularly Vulnerable to Nature and Biodiversity Loss

- Southeast Asia – up to 80% of wetlands are threatened with drainage due to agri/development; 640 million people live on vulnerable coastlines; more than 50 million wading birds imperiled due to lost wetlands.
- Two-thirds of GDP dependent on nature
- Financing gap of \$670 billion per annum to 2050 to halt biodiversity and nature loss.

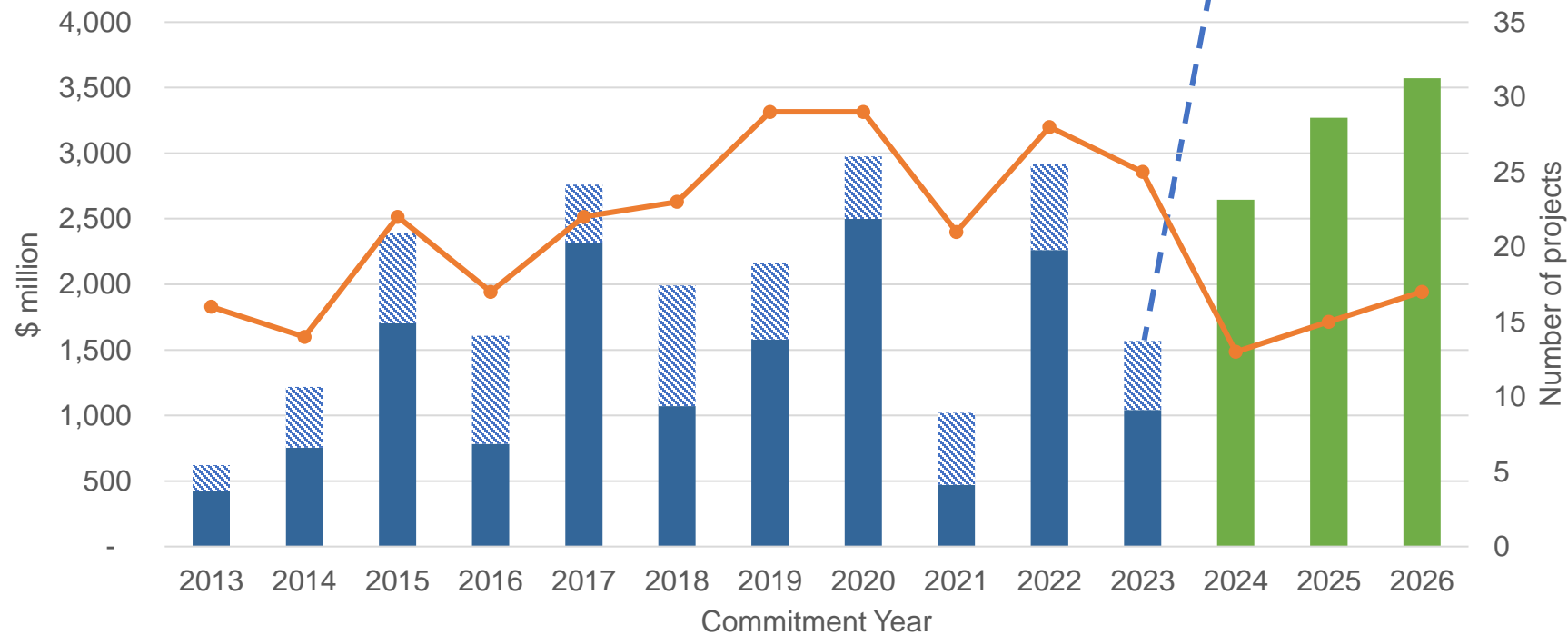
NSFH will support private and public sector solutions across multiple sectors:

- Partnering with AFD and OPEC Fund and stakeholders including WWF, TNC
- Technical assistance to identify and develop projects
- Innovative funding to help de-risk and scale-up projects/attract private sector
- Provide knowledge solutions and raise awareness



Finance Sector Operations

Total Committed Lending in 2023 **\$1.57 billion**



Private sector operations short-term finance sector programs in 2023:

- \$4.7 billion Trade Finance
- \$231.8 million Microfinance Risk Participation and Guarantee Program
- \$345 million Supply Chain Finance

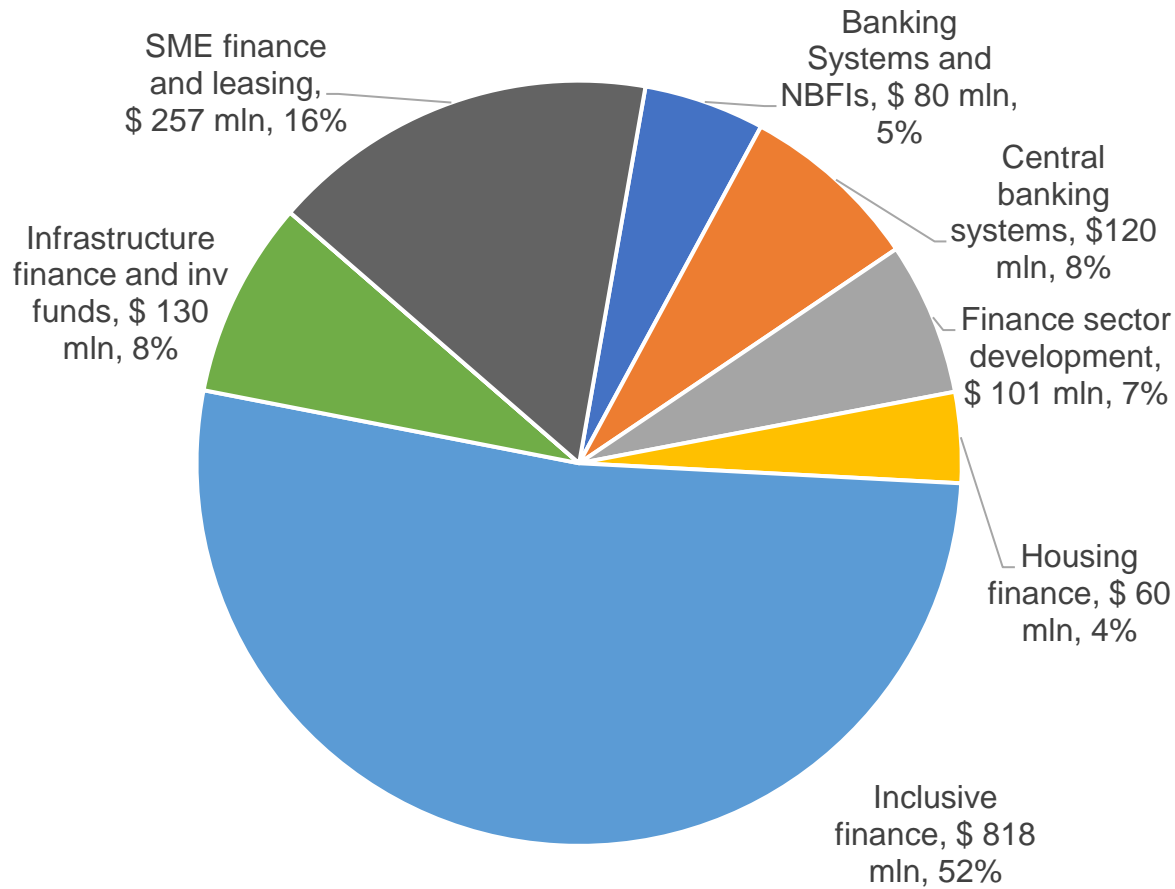
Public Sector Private Sector Public Sector (Pipeline) Number of projects

Note: Covers loans, grants, guarantees, and equities; does not include regular private sector programs and technical assistance
Source: SPD database

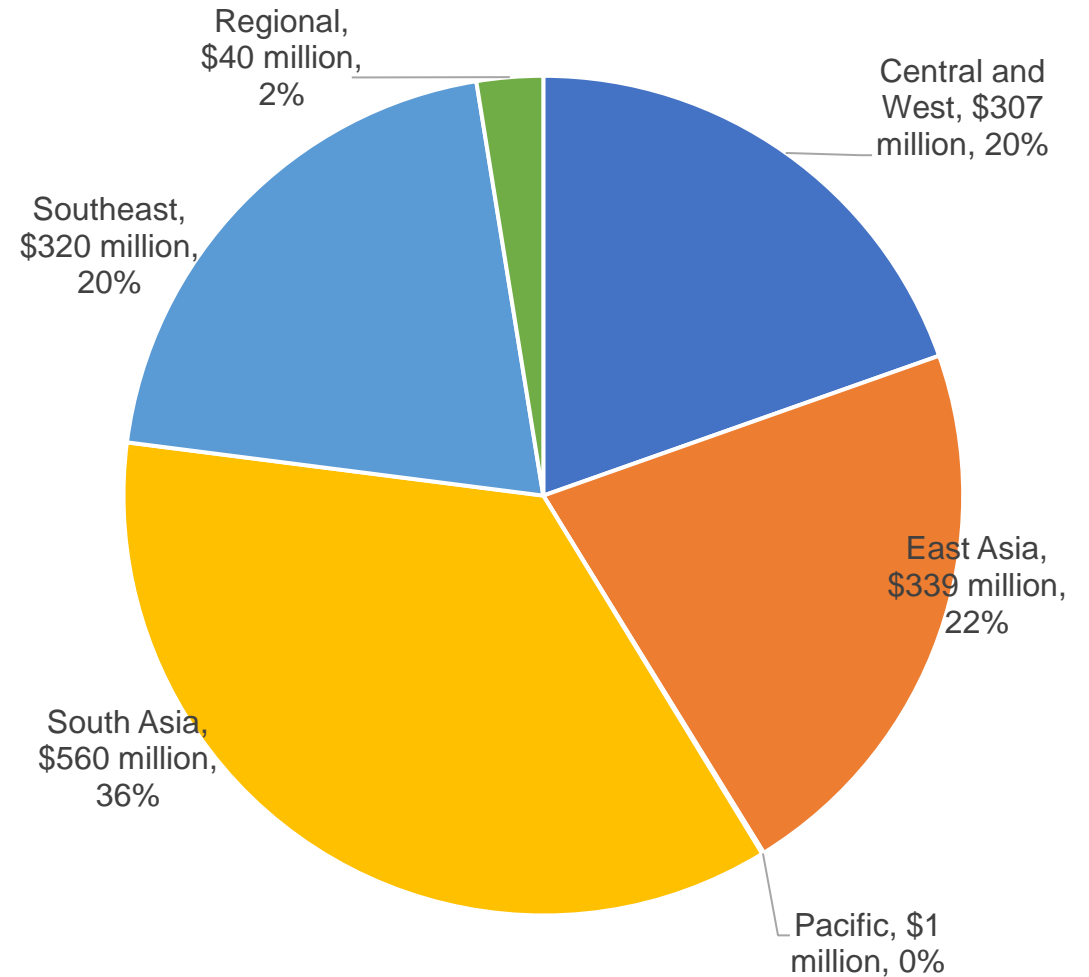


Finance Sector Commitments in 2023: \$1.57 billion

Subsector



Region



Note: NBFIs = nonbank financial institution, SME = small and medium-sized enterprise, inv funds = investment funds

Source: SPD database



Summary

Healthy financial sectors are critical to underpin and provide:

- Inclusive and resilient private sector growth;
- Long-term funding;
- Infrastructure finance;
- Funding to for climate mitigation/adaptation/transition;
- Nature finance

Multiple products and approaches are needed as problems have grown more complex:

- Long-term finance;
- Guarantees;
- Nonbank finance services/insurance;
- Digital solutions;
- Grants with flexibility to build capacity and blended finance, first loss positions, and performance incentives.

Partnerships and knowledge sharing even more critical



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DAY 2 : 13 June 2024

PART 1 SEMINAR

**PRESENTATION 2: LEVERAGING DIGITAL TECHNOLOGY FOR CLIMATE RESILIENCE,
INCLUSION, AND EMPOWERMENT IN THE FINANCE SECTOR**



LISETTE CIPRIANO

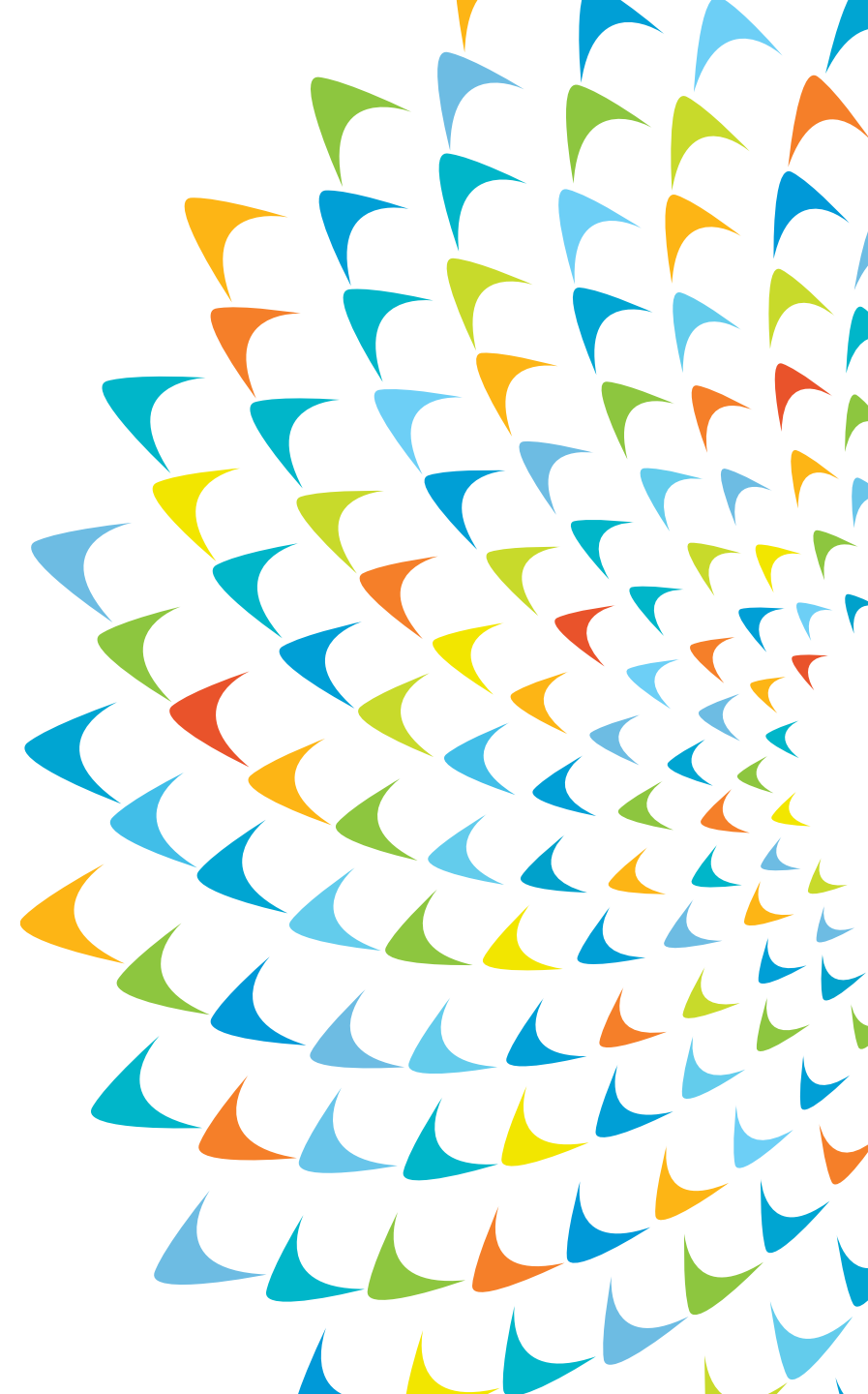
PRINCIPAL DIGITAL FINANCE SPECIALIST
FINANCE, SECTORS GROUP
ASIAN DEVELOPMENT BANK



Digital Finance and Innovation Asia Pacific Futures Dialogue Luxembourg

Lisette Cipriano, Principal Digital Finance Specialist

13 June 2024





Digital Finance - Catalyzing ADB's Operations and Advancing SDGs

- Digital finance fosters economic inclusiveness, improves customer experiences, and enables data-driven decision-making. It increases opportunities for citizen participation in the financial value chain, aligning with SDGs. Digital technologies can enhance transparency and access to information related to sustainable investments.
- ADB's Strategy 2030 integrates digital technology to empower operations, aiming for a flexible, efficient, and transparent system
- From 2010-2023, about 47% of ADB approved projects had digital components, reflecting a commitment to digital integration



Example Projects: Cantilan Bank Philippines

Cantilan Bank, a rural bank in Surigao del Sur, Mindanao. They have 46 Branches and Branch lites across 12 provinces in Mindanao and Visayas, serving over 100 communities. They operate in an area where there is limited access to traditional financial & banking infrastructure, roads, power, and ICT.



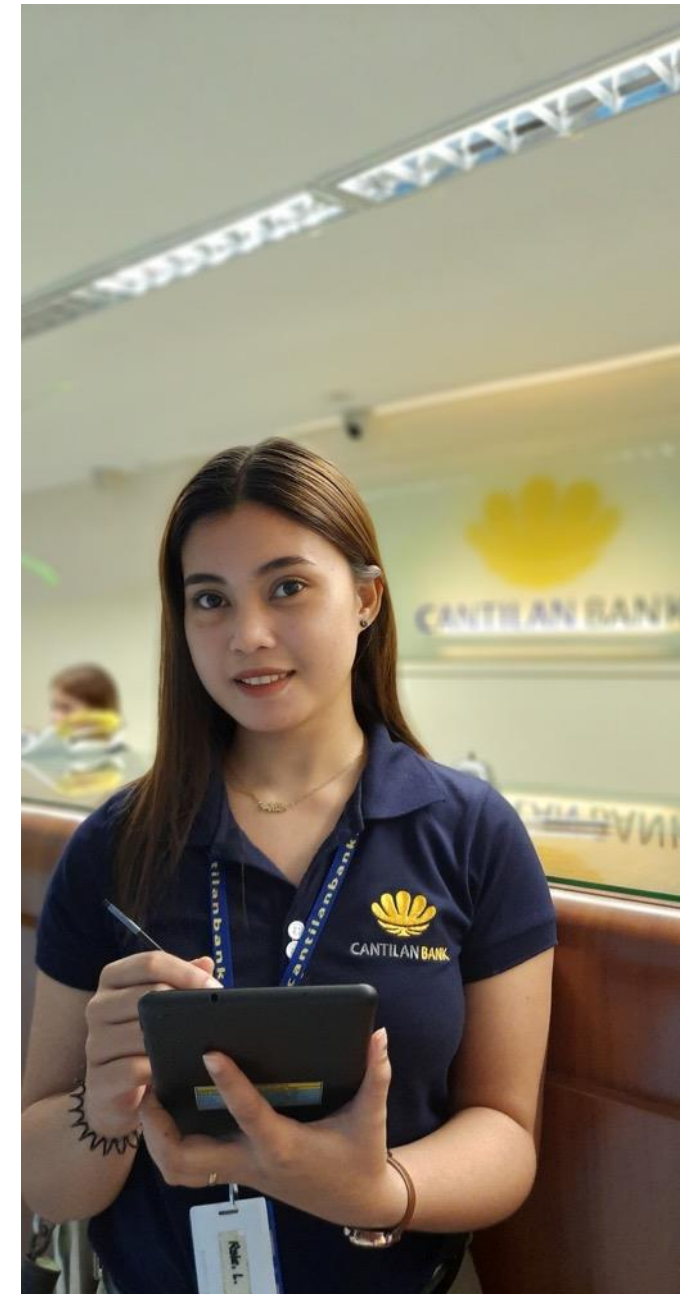
ADB in collaboration with the Central Bank of the Philippines piloted the use of cloud technology for core banking services. This paved the way for 40 financial institutions to do the same in the PHI.



The enablement of an API layer which then allowed connections to ATM providers and the launch of a mobile banking app.



Use of virtual reality for digital financial literacy targeted towards women SMEs that has so far delivered a 47% increase in mobile app usage.





Cantilan Bank Story: Climate Resilience and Disaster Response



SUSTAINABILITY & SURVIVAL

CANBNK
BRANCHES
SUPERTYPHOON
ODETTE
AFFECTED AREAS

83% of branches
operating in
provinces that
were declared
under state
calamity



Before
Christmas Eve
2021, a week
after the
supertyphoon,
78% of the
branches were
already online

BUSINESS
CONTINUITY//COMBAT-
READINESS



Example Projects: Digital ID Pilot in Papua New Guinea (PNG)



A highly complex multi-stakeholder pilot project that began as a hackathon challenge with a prize money of \$10k.

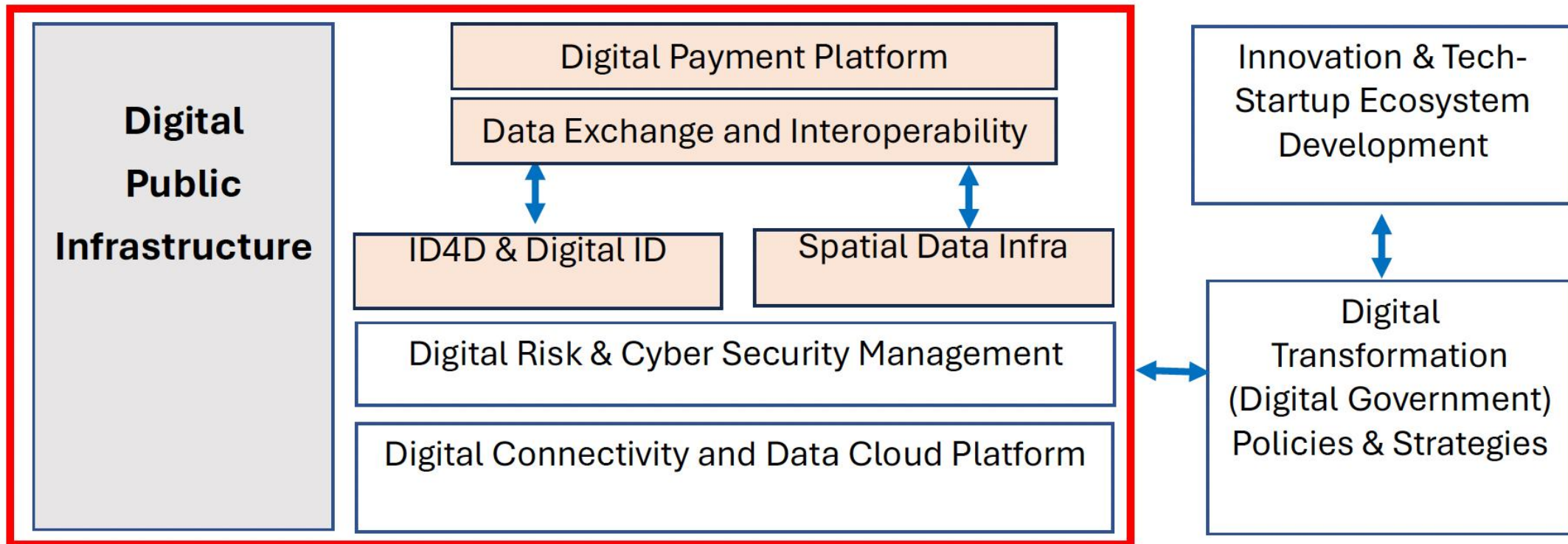
- Development of the digital ID product for the context of Papua New Guinea (PNG)
- Cybersecurity and penetration tests
- Development of data governance framework
- Digital transformation of FI systems

Post pilot, the fintech company has since established an office in PNG and signed two commercial deals with FIs.



Building Foundations

It is imperative to establish a resilient and comprehensive infrastructure to support the foundations of digital finance.





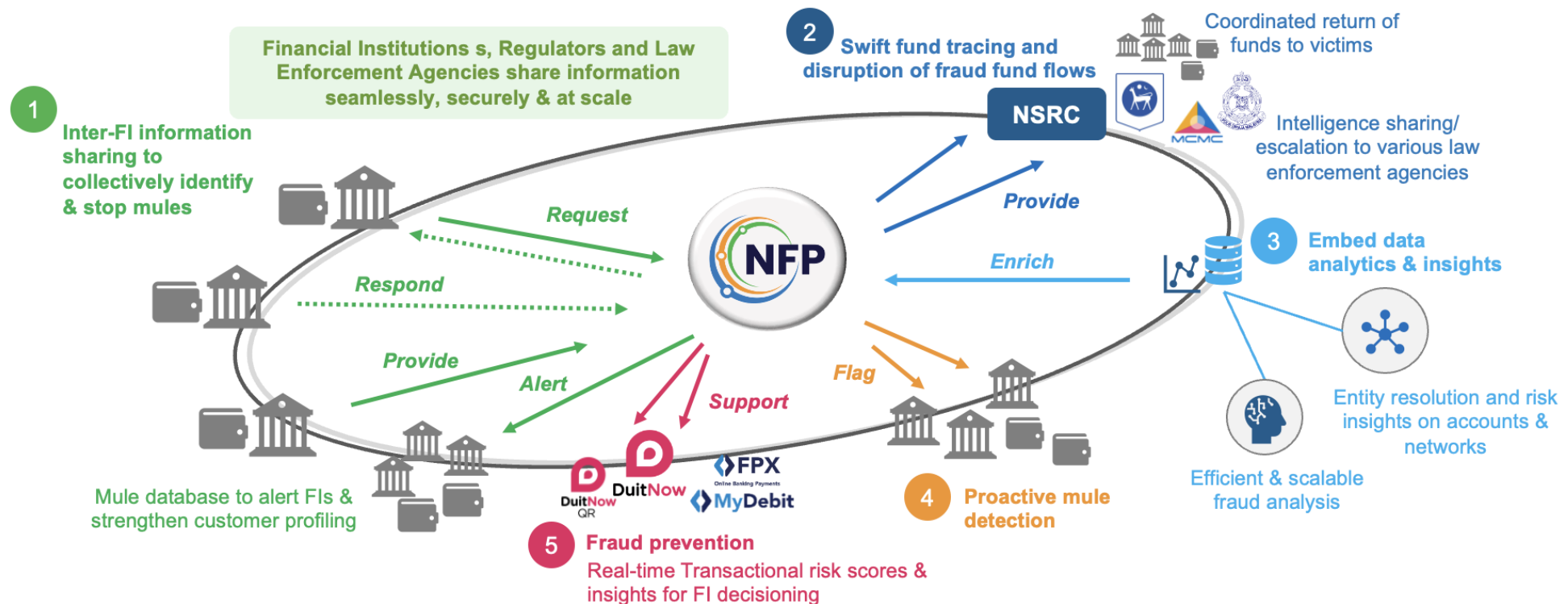
Digital Public Infrastructure: Malaysia National Fraud Portal

Countering Consumer Fraud and Scams with National Fraud Portals The vision for the National Fraud Portal (NFP)



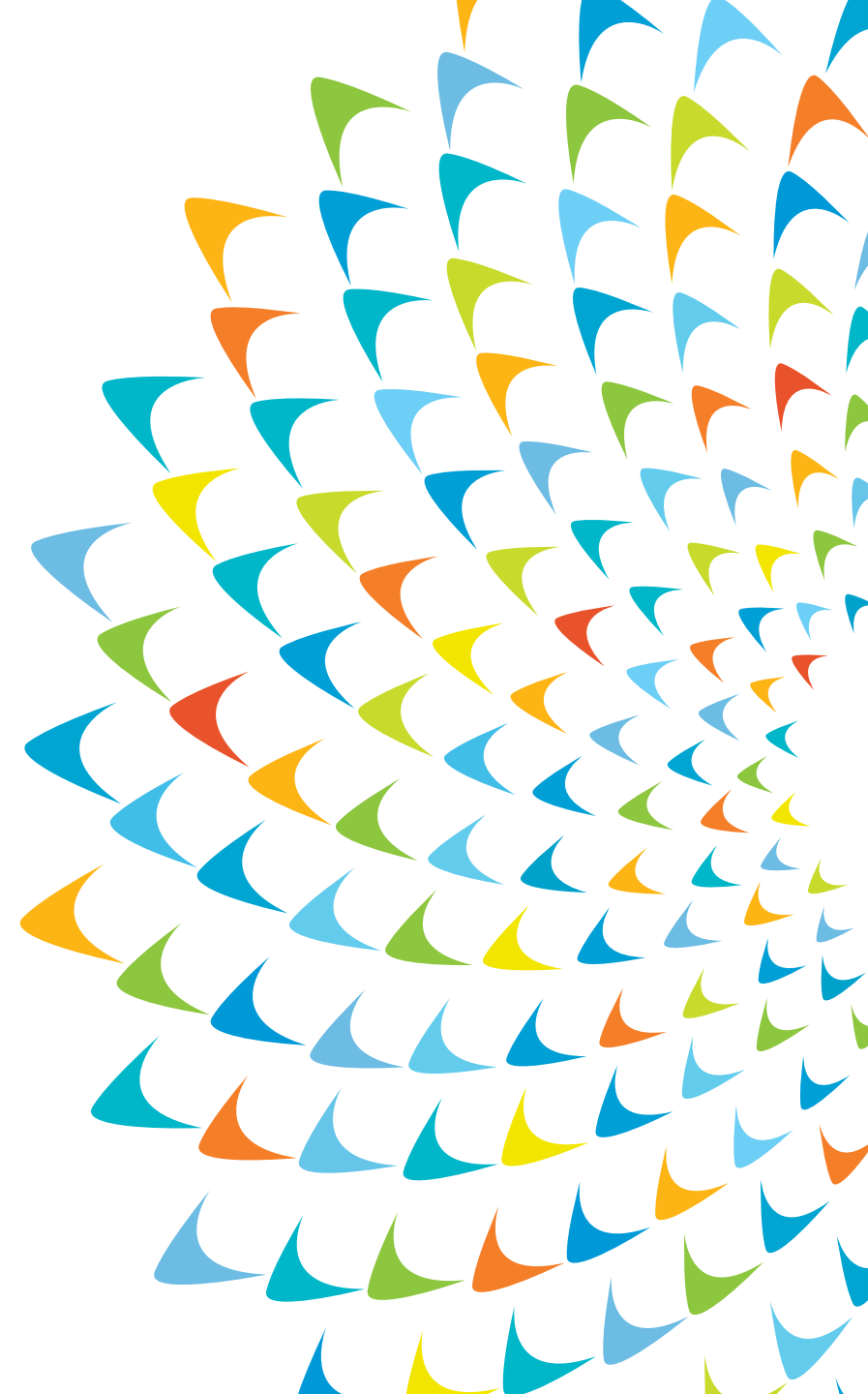
An **integrated fraud mitigation utility platform** for the financial ecosystem

- More efficient detection and coordinated responses towards mules and illicit activity
- Uplift collective intelligence capabilities of participants and law enforcement to disrupt criminal actors and networks





Thank you.



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**PRESENTATION 2: LEVERAGING DIGITAL TECHNOLOGY FOR CLIMATE RESILIENCE,
INCLUSION, AND EMPOWERMENT IN THE FINANCE SECTOR**



SABINE SPOHN

PRINCIPAL INVESTMENT SPECIALIST
PRIVATE SECTOR OPERATIONS DEPARTMENT
ASIAN DEVELOPMENT BANK

g WOMEN'S FINANCE EXCHANGE

A Community Fostering Inclusive and Green Finance

Since 2015, we've been fully operational. But then, COVID came. We lost a lot of our good corporate clients. The training helped to understand how and when to apply for a loan.

Moala, 58, certified florist from PNG,
participant of WFX training





gWFX is an ADB Private Sector Operations initiative. It supports financial institutions to be more gender responsive and green in their lending activities

Major Funding Partner



Key Pillars with a Gender Lens



Innovation and Technology



Sustainable Finance

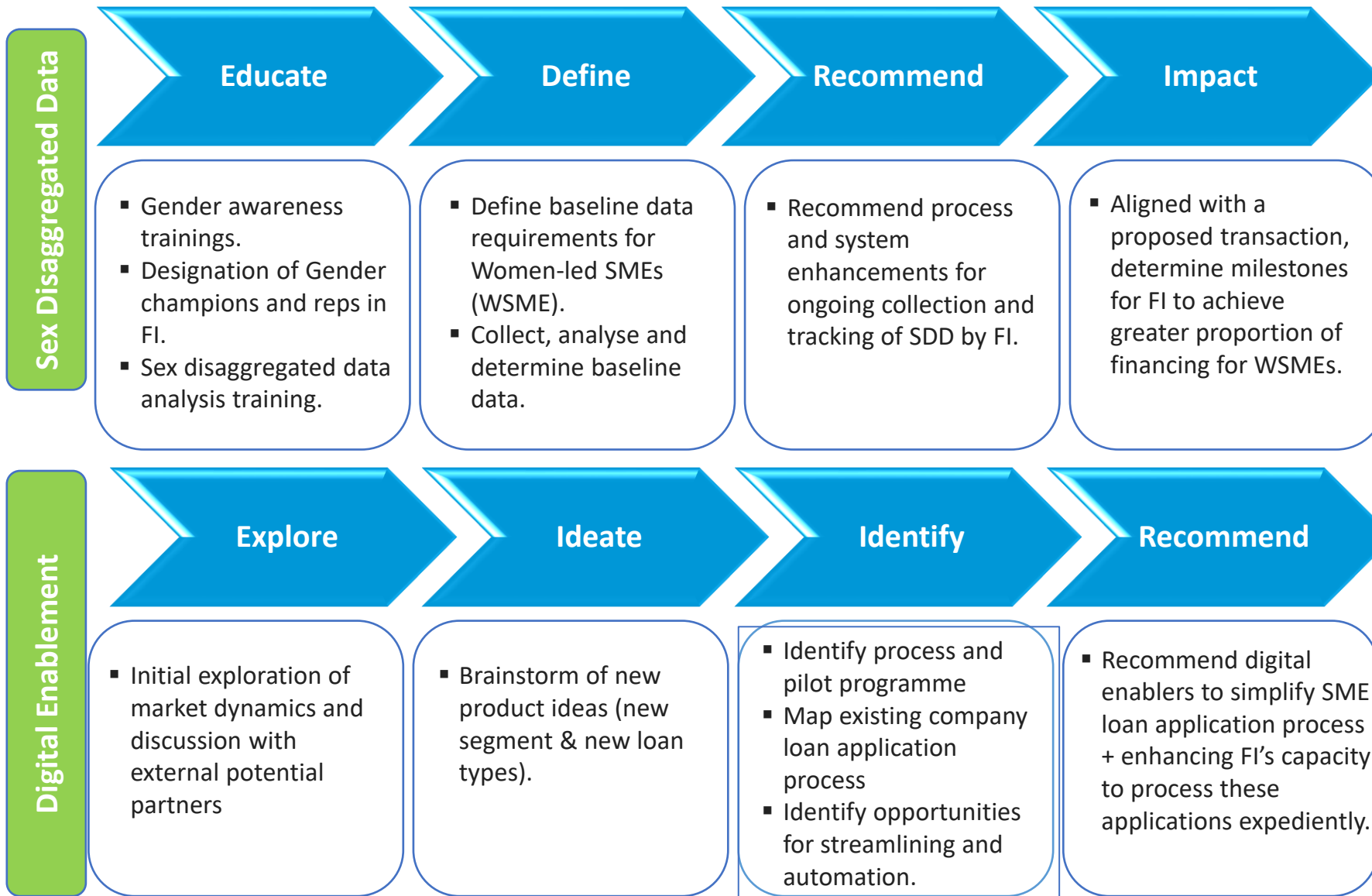


Knowledge Solutions

Since we launched in 2021:

- 1 We supported lending over \$1.7 million to women and women entrepreneurs through partner financial institutions
- 2 We have so far strengthened the capacity of 7 financial institutions to achieve their gender inclusive and/or sustainable finance goals
- 3 We built capacity of over 350 women business owners through training and mentoring support

Support in the Pacific



Outcomes

Clarity of capacity building resourcing required aligned with strategic outcomes, including:

- New headcounts hired (including for dedicated Women's Finance products team)
- Intention to replace existing loan origination system, loan management system & new front-end application.
- A much more granular understanding of SDD, key metrics for measuring new segment opportunities & performance.
- Envisaged deployment of ADB loan and grant to boost capital position to drive incremental financing to WSMEs.



Sign up to our newsletter.

Click the link below or scan the QR code on the left.

<https://forms.office.com/r/4HRnvJ2A4R>

Thank you.

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PART 1 SEMINAR

ROUNDTABLE 1: BUILDING AN INNOVATIVE AND SUSTAINABLE FINANCE SECTOR IN ASIA AND THE PACIFIC



MODERATOR
JUNKYU LEE
FINANCE DIRECTOR
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ASIAN DEVELOPMENT BANK



JULIE GODIN
MANAGER – EUROPEAN PARTNERSHIP
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DAMIEN SIERRA
TASK TEAM LEADER – FINANCIAL SYSTEM DIVISION
AGENCE FRANÇAISE DE DÉVELOPPEMENT



DR. PAUL RYAN
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DEPARTMENT OF FINANCE, IRELAND



REEMA NANAVASTY
DIRECTOR
SELF-EMPLOYED WOMEN'S ASSOCIATION



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Self Employed Women's Association: Impact of Heat

Link to video: [Impact of Heat_Final Cut.mp4 - Google Drive](#)

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PART 1 SEMINAR

ROUNDTABLE 2: STRENGTHENING PRIVATE SECTOR'S ROLE IN MOBILIZING INVESTMENTS IN THE ASIAN REGION



MODERATOR
LOTTE SCHOU-ZIBELL
ADVISOR
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DR. SABINE SPOHN
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DR. ILONKA RÜHLE-STERN
HEAD OF ASIA DIVISION
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DR. ANNETTE DETKEN
HEAD
INSURESILIENCE SOLUTIONS FUND MANAGEMENT
FRANKFURT SCHOOL OF FINANCE
AND MANAGEMENT



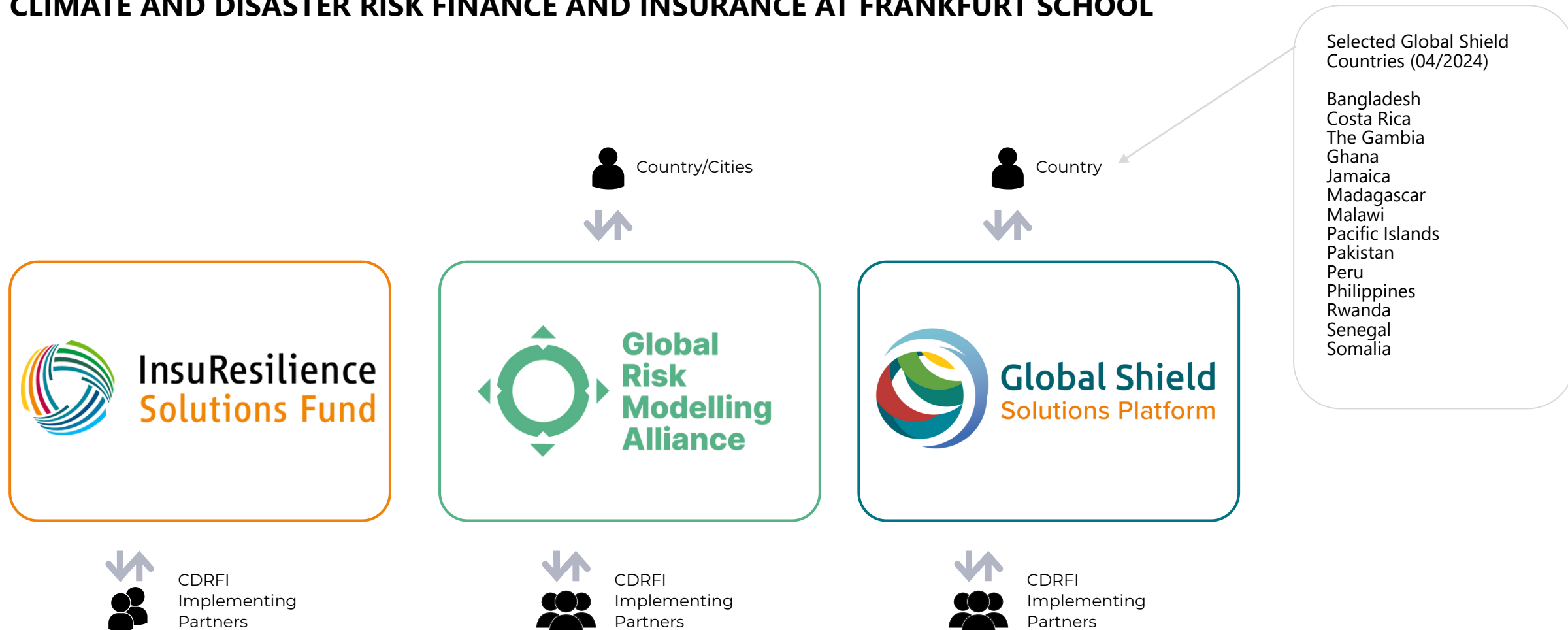
Frankfurt School

CLIMATE AND DISASTER RISK FINANCE AND INSURANCE

SUPPORT PROGRAMMES OF FRANKFURT SCHOOL OF FINANCE & MANAGEMENT

ASIA AND THE PACIFIC FUTURES DIALOGUE
ROUNDTABLE, 13 JUNE 2024

CLIMATE AND DISASTER RISK FINANCE AND INSURANCE AT FRANKFURT SCHOOL



ISF SUPPORTING INNOVATIVE CLIMATE RISK INSURANCE SOLUTIONS

funded by



on behalf of



Federal Ministry
for Economic Cooperation
and Development

managed by



Frankfurt School
of Finance & Management

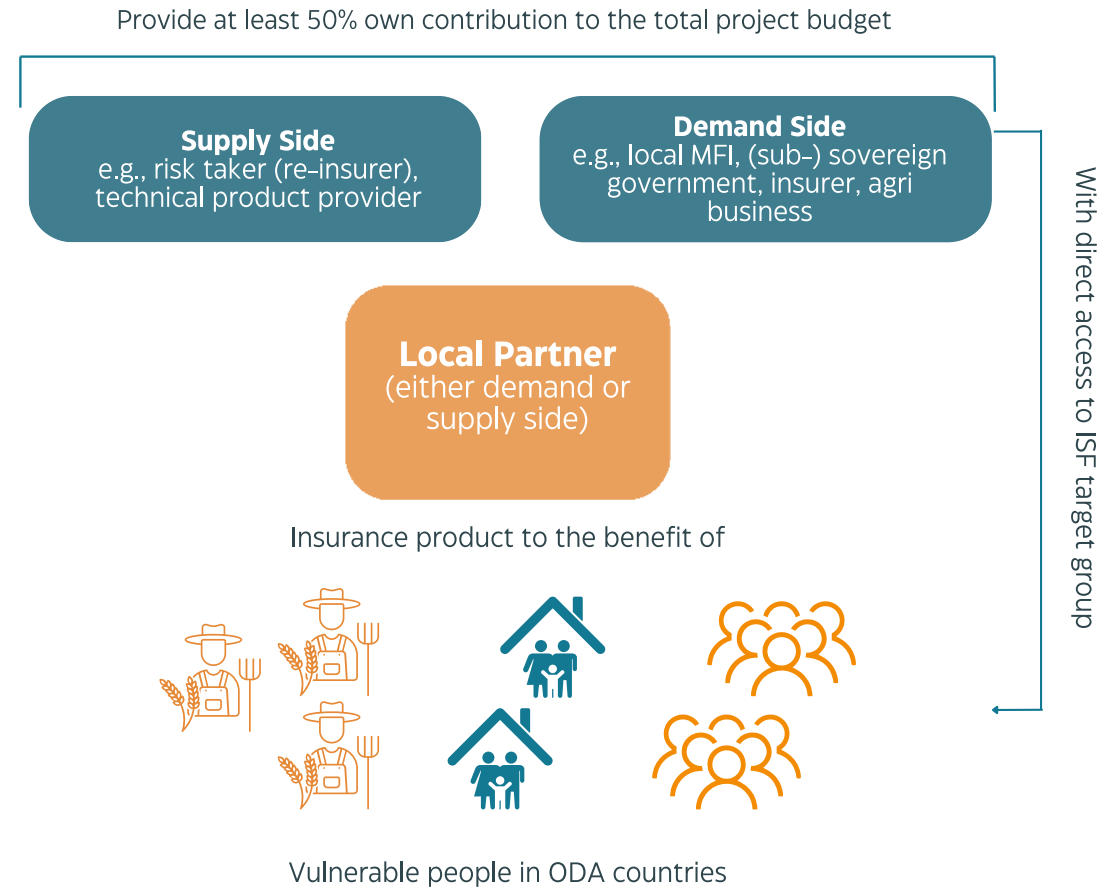
German Excellence. Global Relevance.

- Funded by KfW on behalf of the German Ministry for Economic Cooperation and Development (BMZ)
- Established in January 2019 under the management of Frankfurt School
- More than 450 applications received for development of climate risk insurance solutions
- 31 projects in implementation
- More than 28 mEUR committed to support product development



ISF APPLICATION FOR PRODUCT DEVELOPMENT SUPPORT

Open Call for Proposals for Partnerships



FLOOD INSURANCE FOR FLOOD PRONE COMMUNITIES IN NEPAL

PROJECT PARTNERS

DEMAND

- Practical Action / NGO / UK

SUPPLY

- Stonestep TFD Private Ltd / InsurTech
- Global Parametrics Ltd / Risk Modelling
- Shikhar Insurance Company Ltd / Insurance Company Nepal



Target group
Smallholder farmers cultivating paddy rice



Target region
Province 5 and 7, Western Nepal, Karnali river basin



Insured asset
Agricultural production (yield losses)



Insured peril / hazard
Flood



Insurance type
Micro- and meso-scheme
Development of new index-based flood insurance solution



Own contribution
50% of total ISF project costs



Frankfurt School

THANK YOU

DR. ANNETTE DETKEN
Head InsuResilience Solutions Fund
Head Global Shield Solutions Platform

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Example: Index-based flood insurance for flood prone communities of lower Karnali, Nepal

PROJECT SET UP

