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OVERVIEW OF ADB'S Private Sector Operations

Asian Development Bank | 2024



Private Sector Operations Department (PSOD)

- PSOD is responsible for all private sector (or nonsovereign) financing and investments - structuring and funding investments across the capital structure in privately held and state-sponsored enterprises across various industry sectors throughout developing Asia and the Pacific.
- Emphasis is on commercially viable transactions that generate acceptable financial returns while also delivering development outcomes on ADB's mandate to promote environmentally sustainable, socially responsible and inclusive economic growth.
- A key objective for PSOD is the mobilization of official and commercial cofinancing through ADB-managed trust funds, B-loans, credit enhancement products, and risk transfers.



Private Sector Operations Department Structure



Cathy Marsh
Deputy Director General



Suzanne Gaboury
Director General



Craig Roberts
Senior Advisor



Mayank Choudhary
Infrastructure
CW and South Asia



Daniel Wiedmer
Infrastructure
East\SE Asia and Pacific



Asif Cheema
Financial Institutions



Janette Hall
Funds, Asset
Management & SI



Martin Lemoine
Agribusiness



Aniruddha Patil
Social Sectors



Steven Beck
Trade and Supply Chain
Finance



Marife Apilado
Portfolio Management



Joseph Bergin
Equity Investments and
ADB Ventures



Bart Raemaekers
Guarantees, Syndications
and Risk Transfers



Mark Kunzer
Development Effectiveness
and Integrity



Eduardo Abello
Risk Analytics

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 work with the private sector

ADB can play a key role in helping to:

- Create an enabling environment
- Increase the number of bankable projects
- Crowd-in private financing

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

- Relationships with governments, private sector clients, and other DFIs
- Advisory for public-private partnerships and business incubation
- Capacity to mobilize more private sector capital
- Knowledge of developing member countries

PRIVATE SECTOR OPERATIONS



Aligning Operations with Strategy 2030, Sustainable Development Goals, Paris Agreement, and Megatrends



STRATEGY 2030

Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific

JULY 2018



Life Expectancy

Falling Fertility

Ageing and Growing Population

Competition for Land, Water, Food and Energy

Alternative Energy

Sustainable and Inclusive Growth

Master Planning

AI, IoT, Robotics and Automation

Strategy 2030 and Private Sector Operations

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

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

-  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



Operational Plan for Private Sector Operations, 2019–2024

Integrated approach: sector, product, thematic and organizational initiatives to achieve Strategy 2030

Focus on **project count** and **quality** targets

More investments in FCAS / SIDS / less-developed DMCs and new sectors

Mobilization of **third-party resources** including official and commercial **co-financing platforms**

Enhanced **risk and portfolio management** and **integrity and tax due diligence**

More **granular and diversified** portfolio while still supporting **landmark** transactions

Reinforced approach to **gender** and new tools for **development effectiveness** and **additionality**

More **structured products** and enhanced **local currency** offerings

Expanded **equity** platform including **project incubation** and development

Strategic use of **concessional finance** and **technical assistance**

Better and more frequent **One ADB** collaboration

Decentralization of PSO-focused staff, increased staff **training** and **rotations**

Improved **business processes** (e.g. FAST), **HR management** and **systems** (e.g. NSO Change)

Mobilization

Strategy 2030 target of \$2.50 long-term cofinancing for every \$1.00

B-loans (ADB as lender of record for commercial banks lending cross-border in US dollars)

PCGs (comprehensive credit cover on portion of loan / bond)

Third-Party Funds and Asset Management particularly in areas such as infrastructure and climate change

Scaling up of **PPPs**, **transaction advisory services** and **project preparation support** through Asia Pacific Project Preparation Facility

Local currency complementary loans to mobilize onshore finance

PRGs (cover non-payment caused by political risk events)

Concessional / Blended Finance deployed on more favorable terms than market

Coordination, cooperation and harmonization on **cofinancing** with other **international financial institutions**

Parallel loans from other lenders on commercial terms to same project

Risk transfers to third parties such as insurance companies and banks

Support of **capital market issuances** (particularly ESG, green and climate bonds)

Sector Focus



Infrastructure
Catalyzing economic growth and social equity via energy, waste, water, transport, and telecommunications facilities



Environmental protection
Developing sources of renewable energy and encouraging energy efficiency



Finance and capital markets
Providing better access to higher-quality financial services across Asia's developing markets



Sustainable agribusiness
Promoting environmentally friendly food production, processing, and distribution



Education
Building human capital through the expansion of basic and higher education services



Health
Supporting private providers of high quality and affordable healthcare

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 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
Equity	\$2M - \$100M	<ul style="list-style-type: none"> • 25% ownership maximum • Board seat, Advisory Committee 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: single, multi-sector, country 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 (BF)	\$5M - \$20M	<ul style="list-style-type: none"> • Lower pricing, longer grace periods and/or tenors, subordination, sculpted repayment profiles, reduced security and/or collateral, and/or capped or collared returns 	<ul style="list-style-type: none"> • When transactions demonstrate strong rationale for BF and adherence to DFI-agreed principles – additionality, crowding-in, commercial sustainability, reinforcing markets, promoting high standards
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

Private Sector Programs



Trade Finance Program

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

Products

- 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

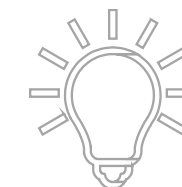
*Up to 80% risk coverage for COVID-19 transactions is permitted

Eligible Transactions

- ✓ Located in and/or directly benefits 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

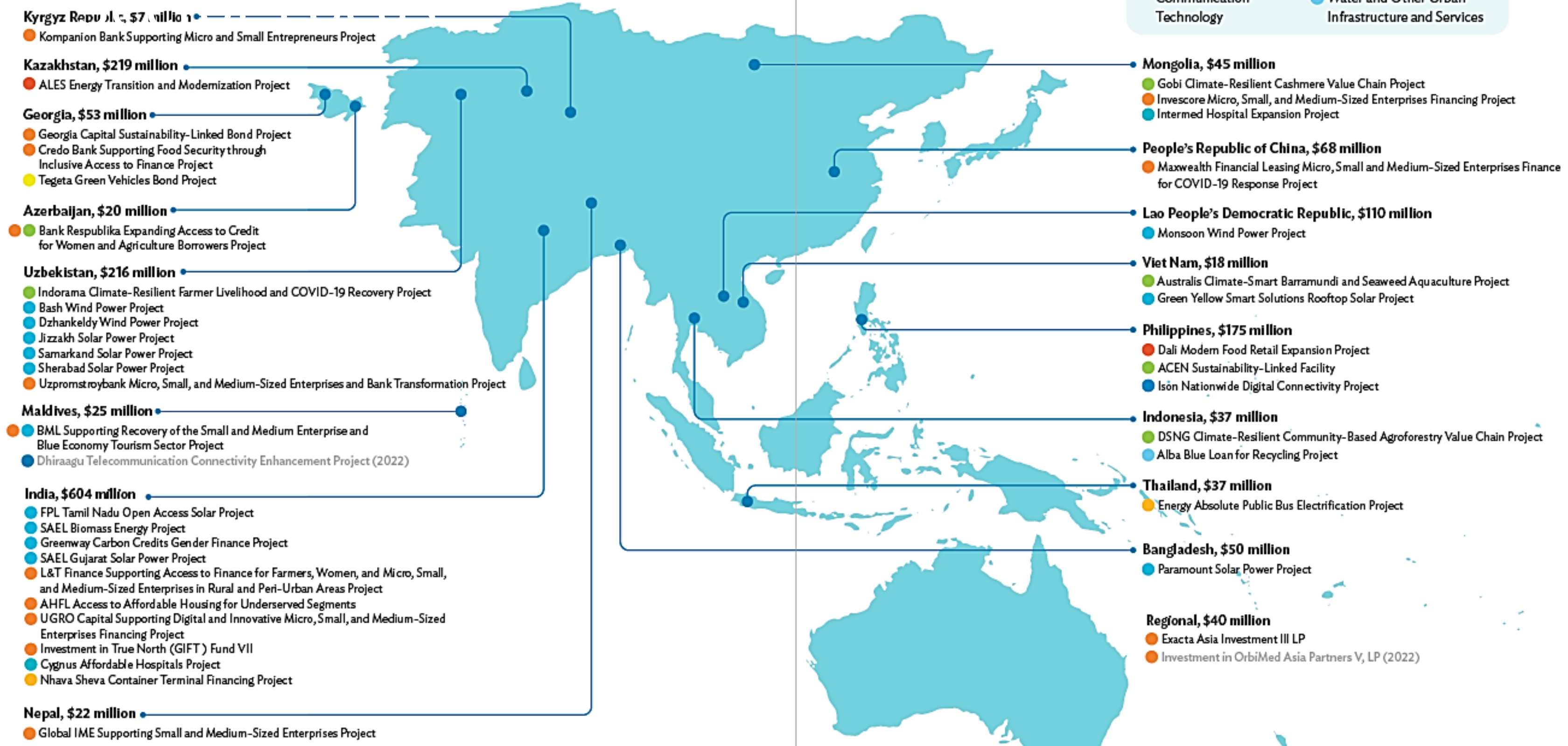
ADB Additionalities

- ✓ 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

PRIVATE SECTOR OPERATIONS DEPARTMENT COMMITMENTS, 2023

40 projects, \$1.7 billion

- Agriculture
- Finance
- Clean Energy
- Health
- Energy (Other)
- Industry and Trade
- Information and Communication Technology
- Transport
- Water and Other Urban Infrastructure and Services



Notes: This map shows Asian Development Bank (ADB) regional members only. This map was produced by the cartography unit of ADB. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of ADB, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information. Source: ADB (Private Sector Operations Department).

PSOD Portfolio by Region (as of 31 December 2023)

\$11,827.2M

Total Portfolio Amount

\$9,695.6M

Outstanding Amount

\$2,131.7M

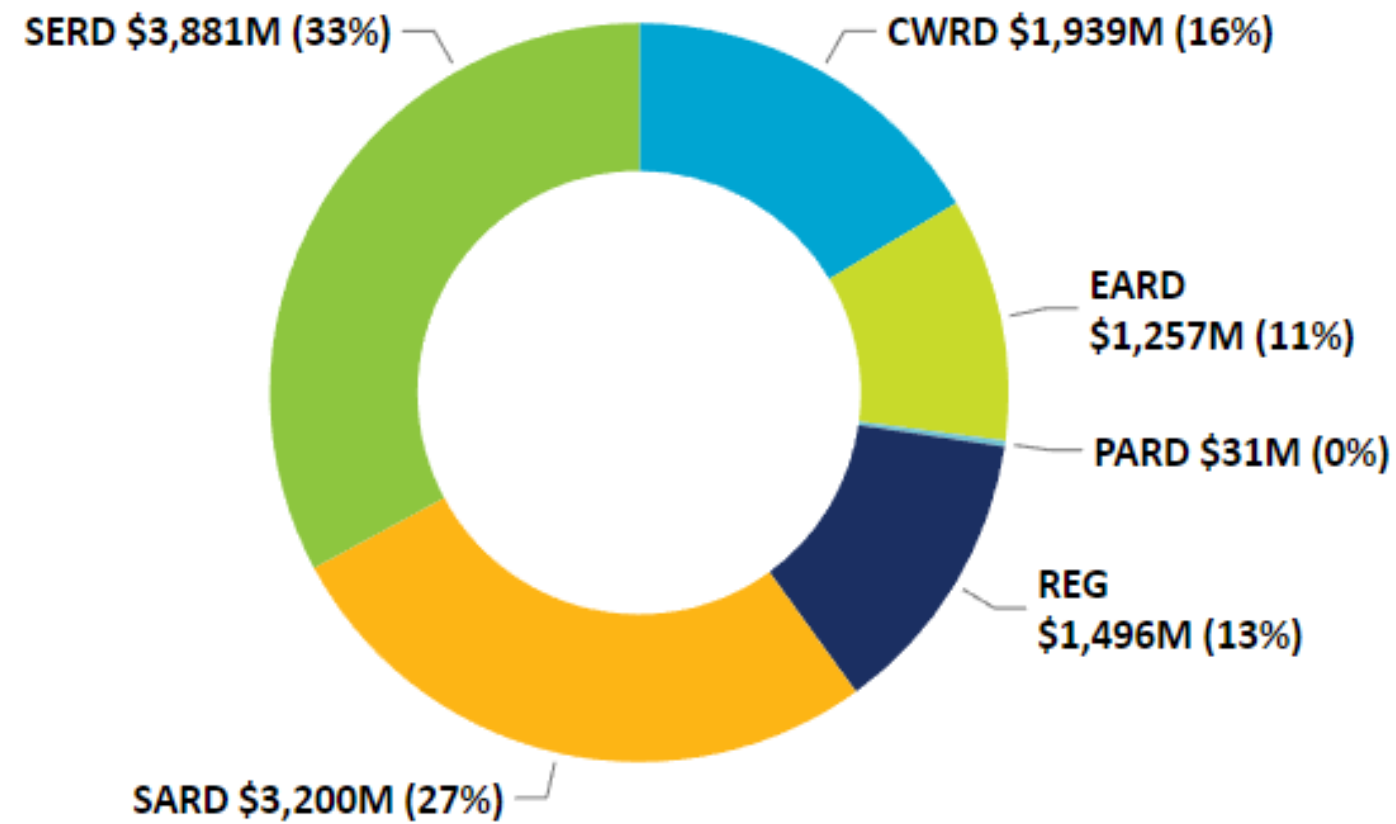
Undisbursed Amount

275

Active Projects

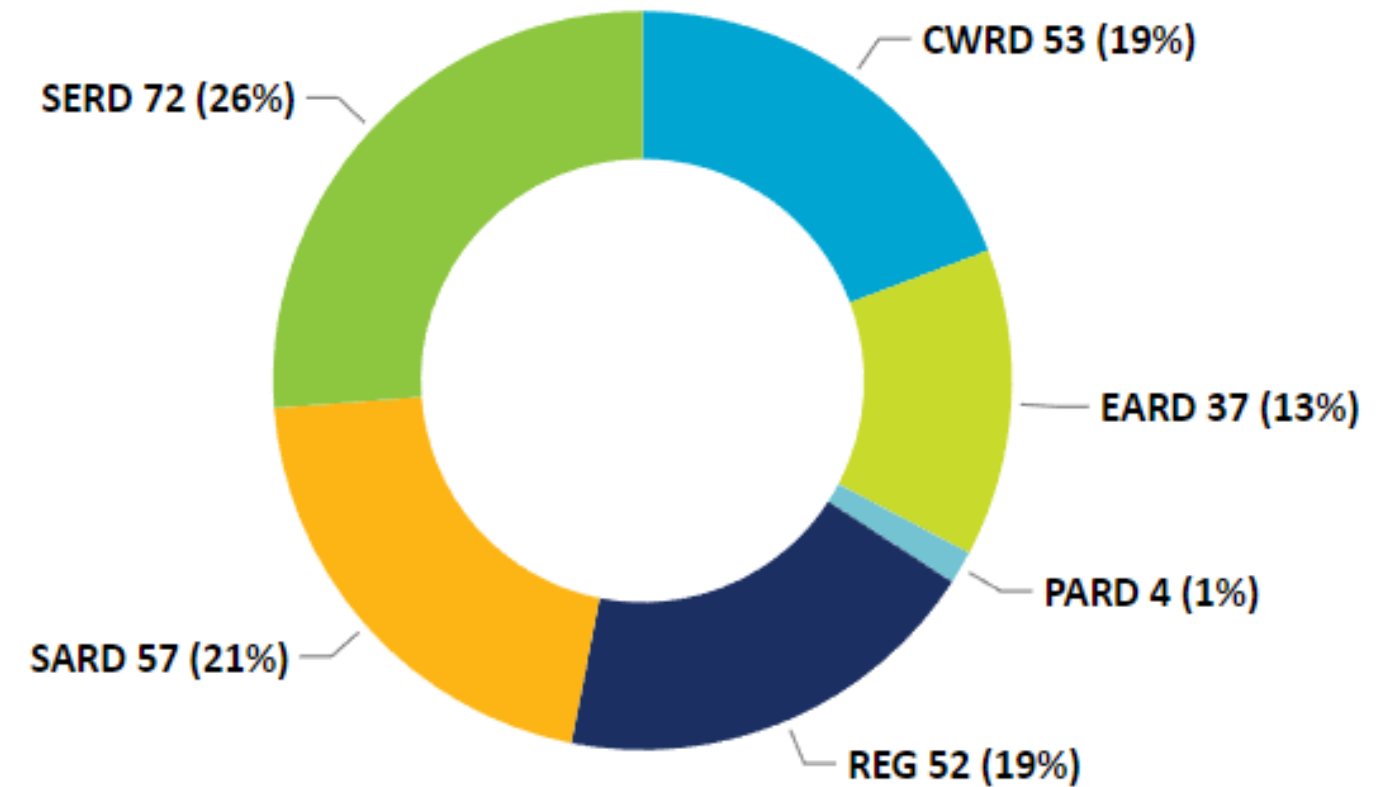
Total Portfolio Amount

● CWRD ● EARD ● PARD ● REG ● SARD ● SERD



Active Projects

● CWRD ● EARD ● PARD ● REG ● SARD ● SERD



PSOD Portfolio by Sector (as of 31 December 2023)

\$11,827.2M

Total Portfolio Amount

\$9,695.6M

Outstanding Amount

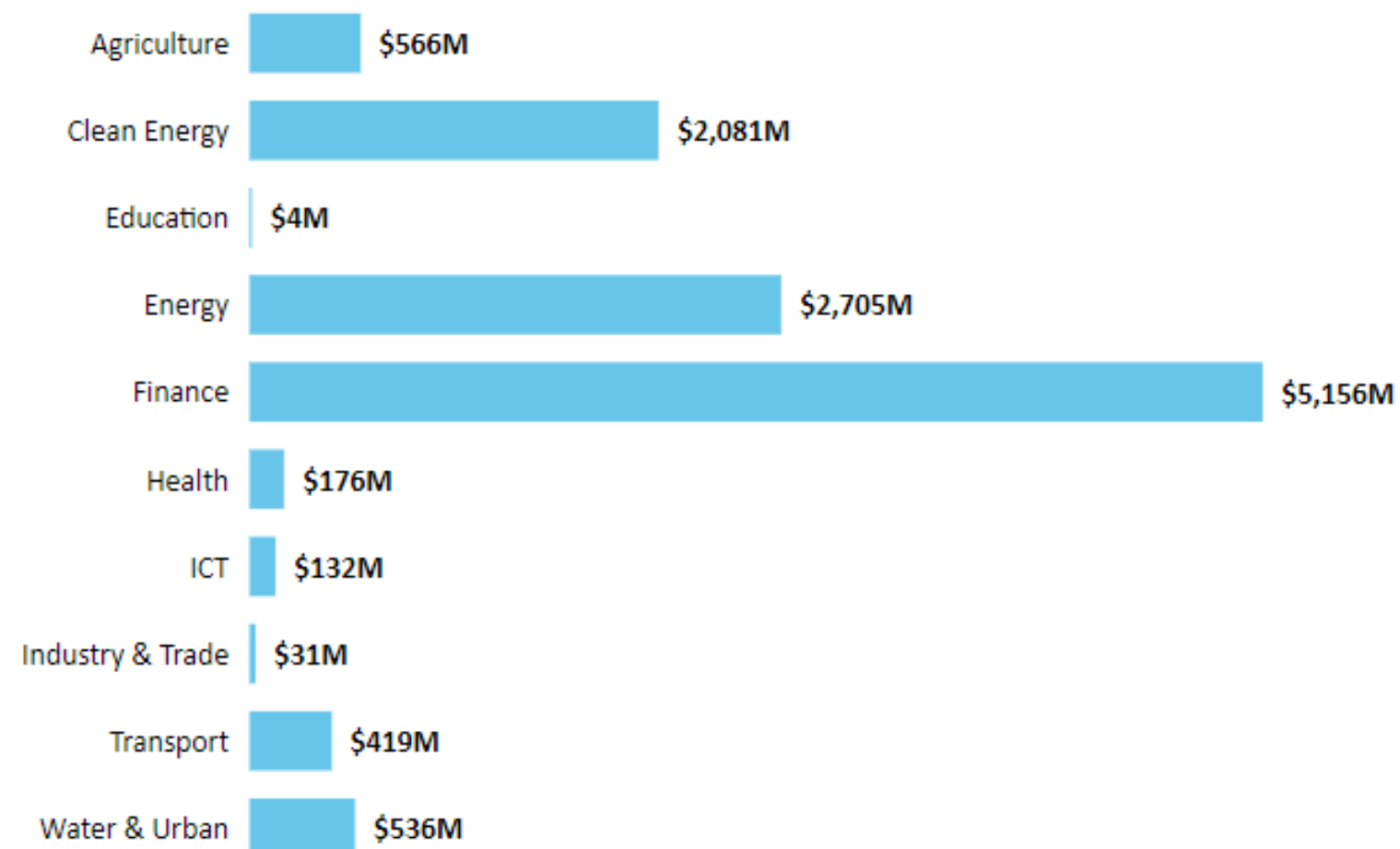
\$2,131.7M

Undisbursed Amount

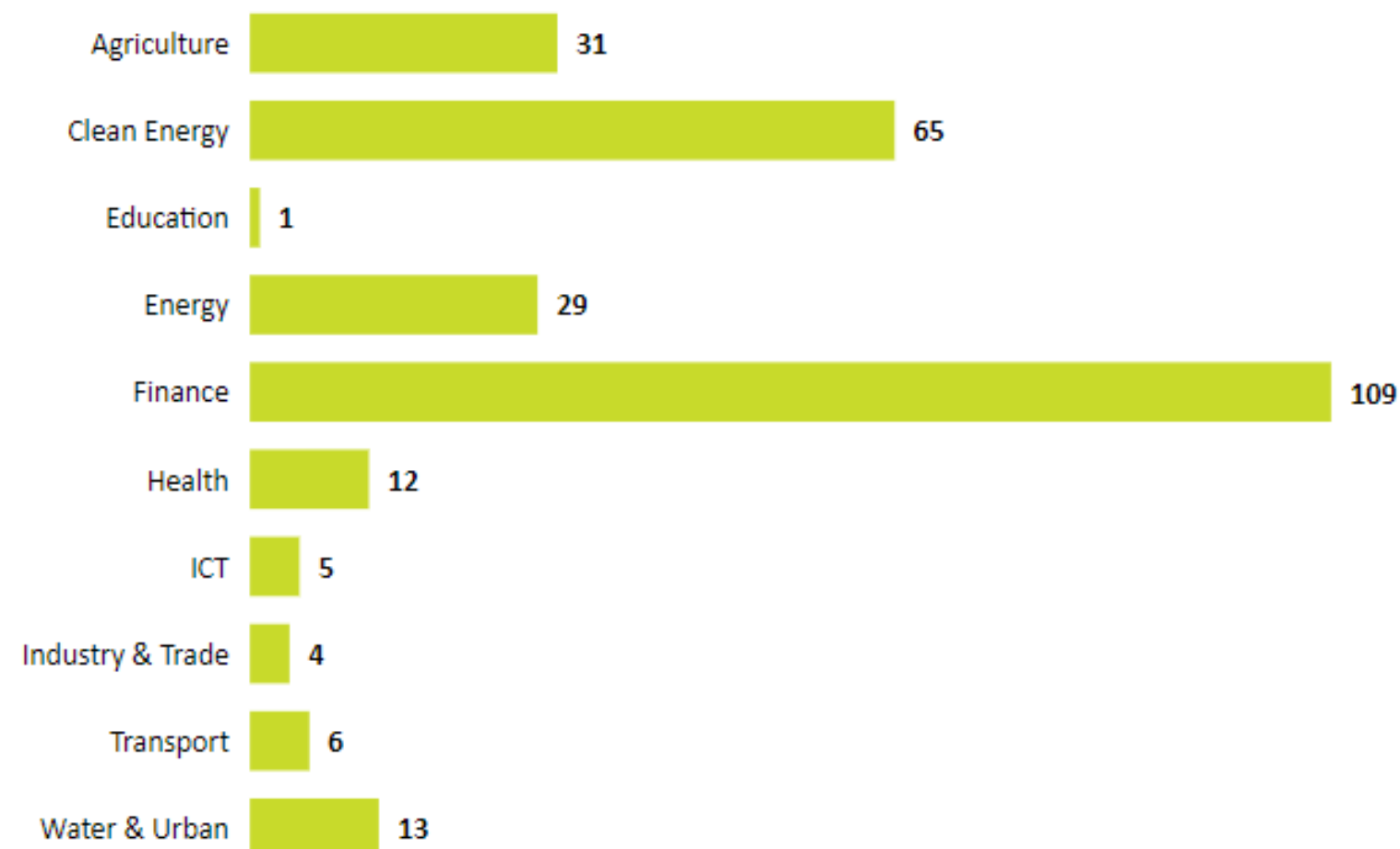
275

Active Projects

Committed Portfolio Amount



Active Projects



Note: Total may not sum up due to rounding.

*Outstanding portfolio includes outstanding exposure and undisbursed commitments

PSOD Portfolio by Product (as of 31 December 2023)

\$11,827.2M

Total Portfolio Amount

\$9,695.6M

Outstanding Amount

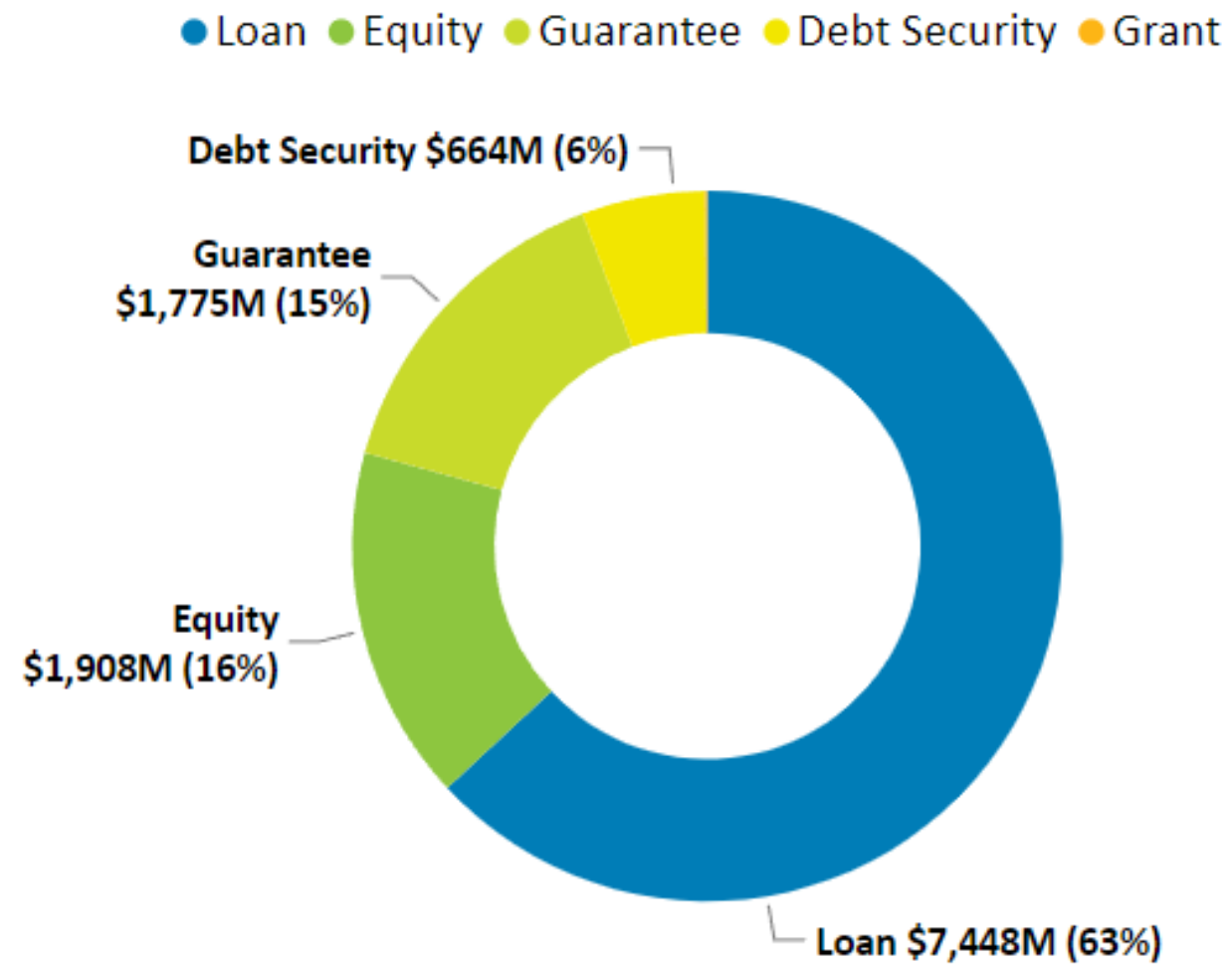
\$2,131.7M

Undisbursed Amount

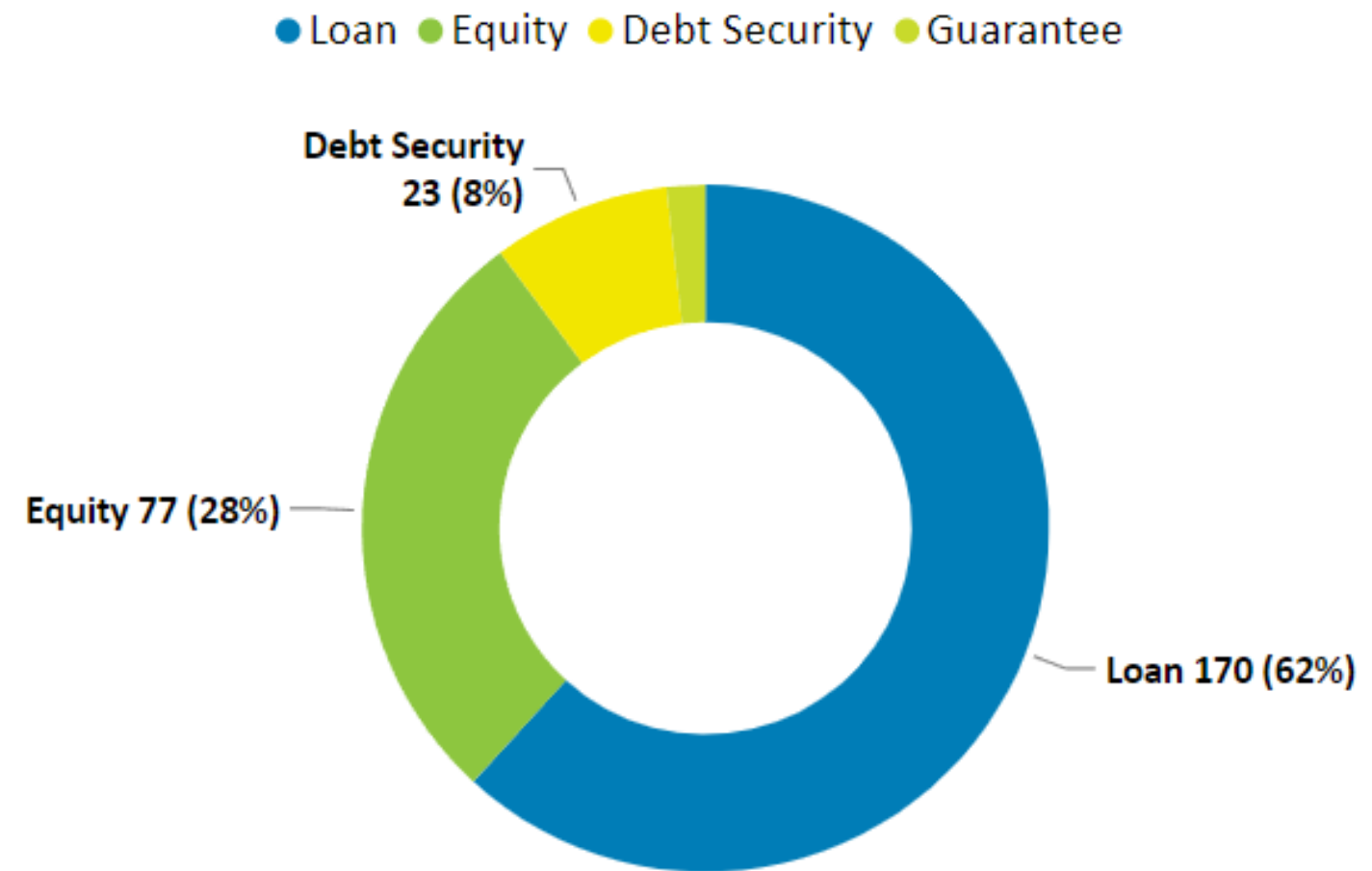
275

Active Projects

Total Portfolio Amount



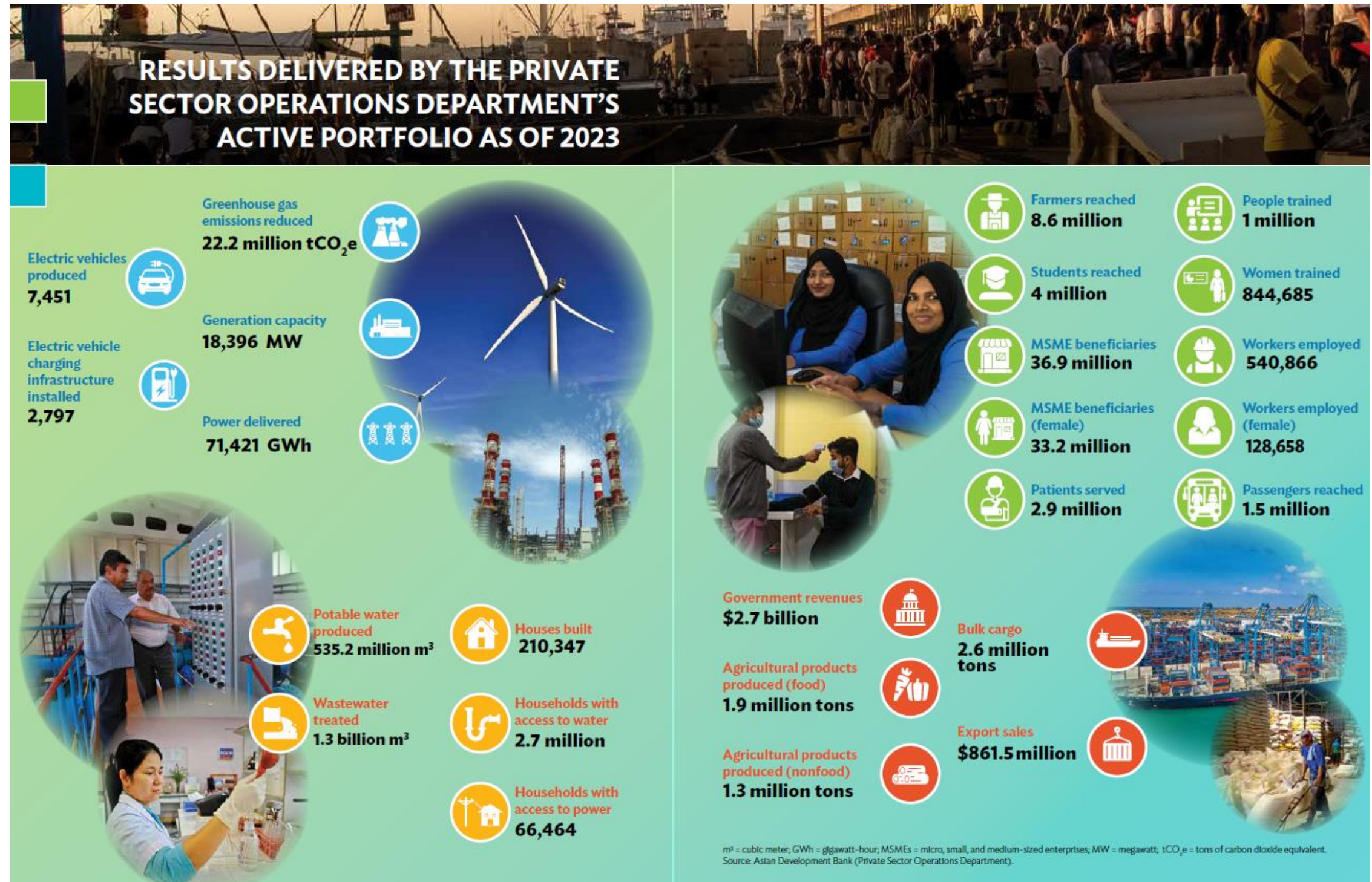
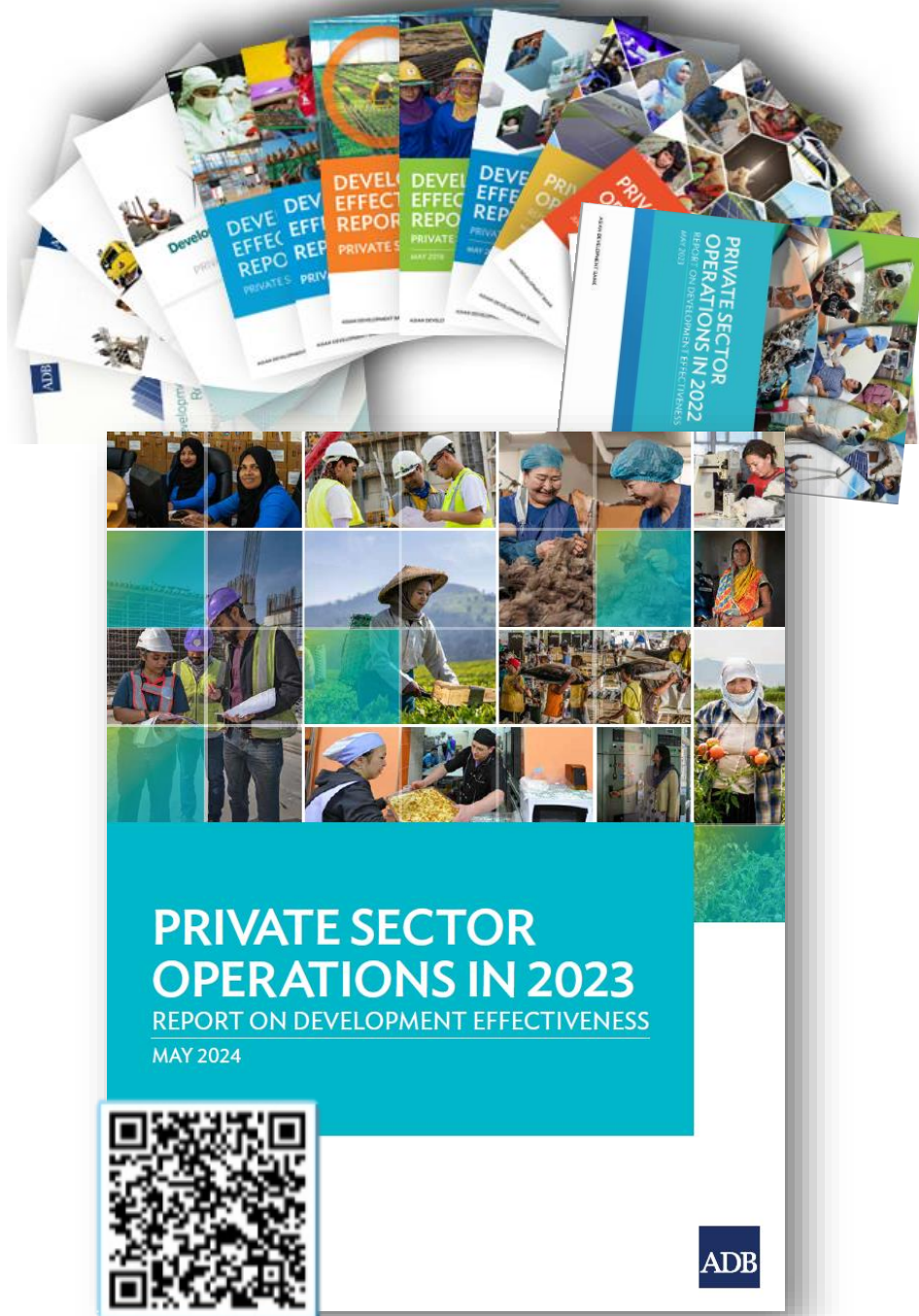
Active Projects



Note: Total may not sum up due to rounding.

*Outstanding portfolio includes outstanding exposure and undisbursed commitments

Private Sector Operations: Delivering Development Impact



PRIVATE SECTOR
OPERATIONS

CASE STUDIES



Viet Nam: Australis Climate-Smart Barramundi and Seaweed Aquaculture Project



Investee

Australis Holdings , Inc. (**AHI, incorporated in Delaware USA**)^a

ADB Assistance

- \$15 million equity
- \$3 million grant from the Climate Innovation and Development Fund (CIDF)

Commitment Date March 2023

^a AHI – a limited liability company incorporated in Delaware , US. AHI is 82.3% owned by WM Capital Partners , LP, a family office The investee is AHI, a limited liability company incorporated in Delaware, United States (US) in 2006. AHI is 82.3% owned by WM Capital Partners, LP, a family office in the US, and 17.7% owned by WP Global Partners, Inc., a US-based private equity firm specialized in consumer goods, logistics, and agriculture. AHI's operations are vertically integrated, encompassing breeding, hatcheries, ocean-based farms, processing, and packaging.

Key Features

- Supporting expansion into southern Viet Nam, increasing capacity from 5,640 tons in 2021 to 22,400 tons by 2027
- Market leader with uniquely sustainable operations (blue tagging)
- Climate-resilient and sustainable ocean-based farming of barramundi and seaweed

Development Impact

- Promote ocean-based farming as a climate-resilient form of aquaculture
- Support barramundi as a low-carbon form of high-quality protein
- Gender equity improved with more opportunities for women in managerial and technical roles

Blended Finance Case Study: Australis Ocean-Based Aquaculture

\$15 million equity in a US holding company that produces barramundi and seaweed in ocean pens in Viet Nam, for export to US.

The transaction also include a **\$3 million grant** from the Climate Innovation and Development Fund (CIDF).

Key Issues

- Insufficient supply to meet growing demand for seafood as primary source of protein
- Climate vulnerability of land-based aquaculture
- High carbon footprint of terrestrial animal protein production

Project Design

- Supporting expansion into southern Viet Nam, increasing capacity from 5,640 tons in 2021 to 22,400 tons by 2027
- Market leader with uniquely sustainable operations (blue tagging)
- Climate-resilient and sustainable ocean-based farming of barramundi and seaweed

Key Risks

- Disasters caused by natural hazards – Upgrades and increased insurance following 2017 typhoon
- Pests, pathogens, parasites – Breeding program to increase resilience; vaccines developed within 60 days; best-in-class processes
- Climate change risk – Higher water temperatures will improve productivity

Expected Impact

- Promote ocean-based farming as a climate-resilient form of aquaculture
- Support barramundi as a low-carbon form of high-quality protein
- Gender equity improved with more opportunities for women in managerial and technical roles

Bhutan: Hazelnut Value Chain Development Project



Investee	Mountain Hazelnuts Group Limited (MHGL)
ADB Assistance	<ul style="list-style-type: none">\$3 million equity with \$1.5 million technical assistance (TA)
Commitment Date	November 2015

Key Features

- MHGL is owned 70.3% by **Daniel Spitzer**, a US entrepreneur with significant experience in Asia, and his wife, Teresa Law
- Will support the development of an inclusive and climate-resilient hazelnut value chain in Bhutan, involving 15,000 smallholder farmers who will plant 10 million trees on 22,000 acres of previously fallow or degraded land
- ADB will mobilize technical assistance (TA) to provide training to farmers and promote climate-resilient farming practices

Development Impact

- Project will boost Bhutan's agriculture GDP and exports
- Income of smallholder farmers are expected to double once the trees have reach maturity

India: ReNew Power COVID-19 Liquidity Support Project



Borrower ReNew Power Private Limited (RRPL)^a

ADB Assistance INR 3,738.00 million debt security

Commitment Date September 2020

^a RPPL's shareholders include investors of international repute such as **Goldman Sachs Group Inc.** through GS Wyvern Holdings, Abu Dhabi Investment Authority (ADIA) through Green Rock B 2014 Ltd., Canada Pension Plan and Investment Board, JERA Co., Inc., and the Global Environment Fund

Key Features

- RPPL is the largest independent renewable energy company in India.
- RRPL will use the facility to partially finance its working capital needs arising out of cashflow mismatches that may occur as a result of delayed payments from its customers because of the coronavirus disease (COVID-19) pandemic.

Development Impact

- The project will enable RPPL, which is an essential services business, to continue its operations and deliver a reliable supply of power to the domestic grid during the crisis.
 - The project complements the government's \$11.9 billion financial package to provide liquidity to state power distribution companies to enable them to partly clear their payment obligations, which had been building up even prior to the COVID-19 crisis.
-



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