

Asian Development Bank

Private Sector Strategy and Programs

Private Sector Operations Department

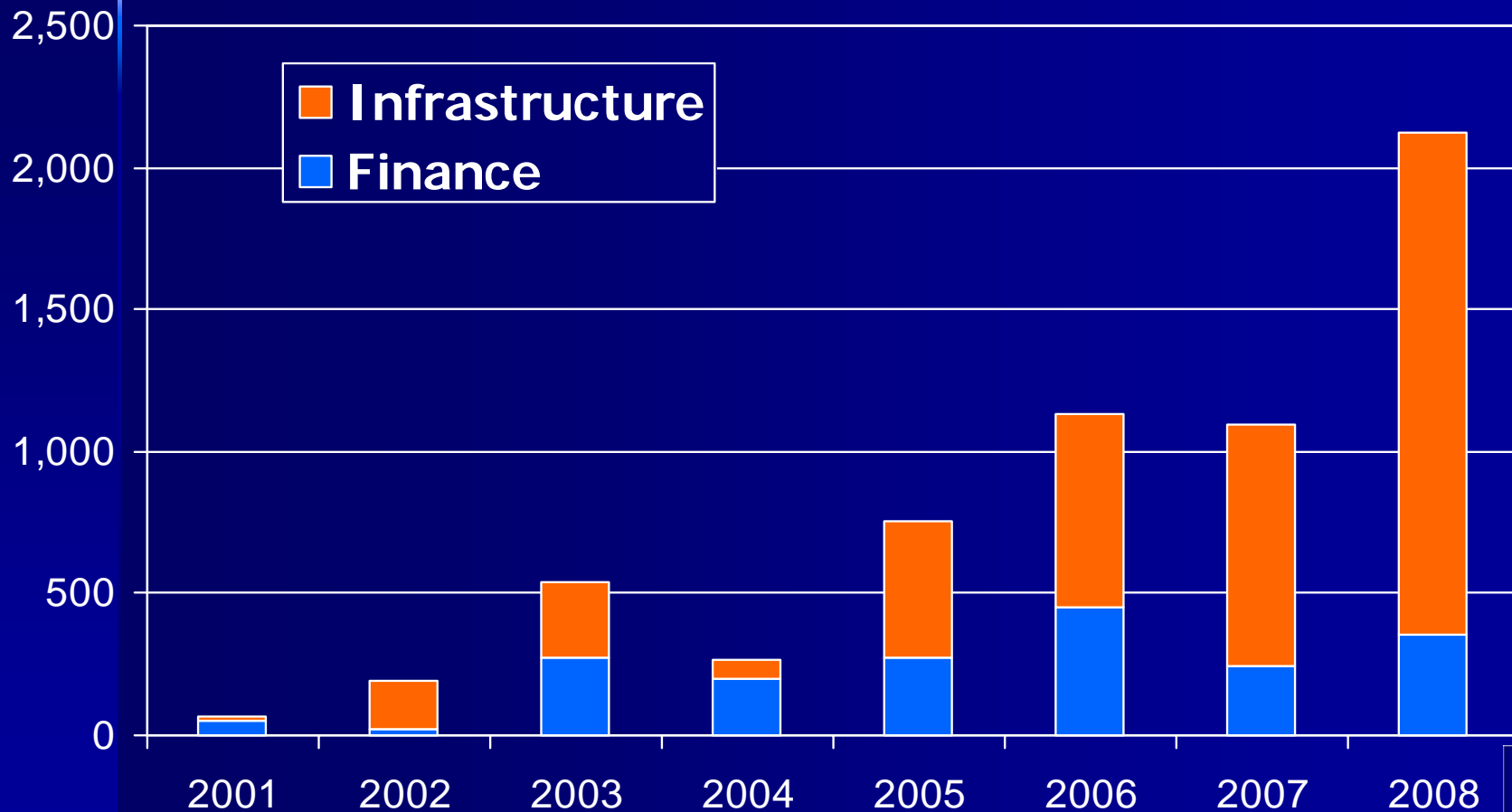
(October 2009)

Who are We?

ADB Private Sector Operations

- Separate Department focusing on non-sovereign transactions, i.e. no host country guarantee is required
- Promotes private sector development and catalyzes private financing for infrastructure and capital/financial market transactions
- Provides financial support through equity investments, loans and credit enhancement products including guarantees
- Originates, negotiates, structures, executes and administers private sector transactions
- Shares project risks with private sector investors and financiers with no host country guarantee required

PSOD FINANCING 2001 – 2008 (in \$ million)



Success in Operations

PSOD has been Very Successful At a Time
When:

- Private Sector Banks Are Struggling
- Banking System Is Flush With Liquidity

WHY?

What is our Comparative Advantage?

Why does private sector come to ADB?

- Not low cost money – market terms
- Not better credit terms
- Not an easier/short approval process

In short - no preferred terms

Business Advantage

Important Factors

- Asian institution
- "One stop shopping"
- Decision making in region

THESE ARE NOT UNIQUE ADVANTAGES

Business Advantage

WHAT IS PSOD'S REAL "PRODUCT"?

Business Advantage

WHAT IS PSOD'S REAL "PRODUCT"?

- Risk Mitigation
- Private Sector Development
- Knowledge Transfer

**ADB is uniquely positioned in
these products**

PRIVATE SECTOR OPERATIONS

ADB is an attractive partner in transactions

- “If ADB is in, we are in; if ADB is out we are out”
- “The first dollar is the hardest to get; ADB is often the needed catalyst”

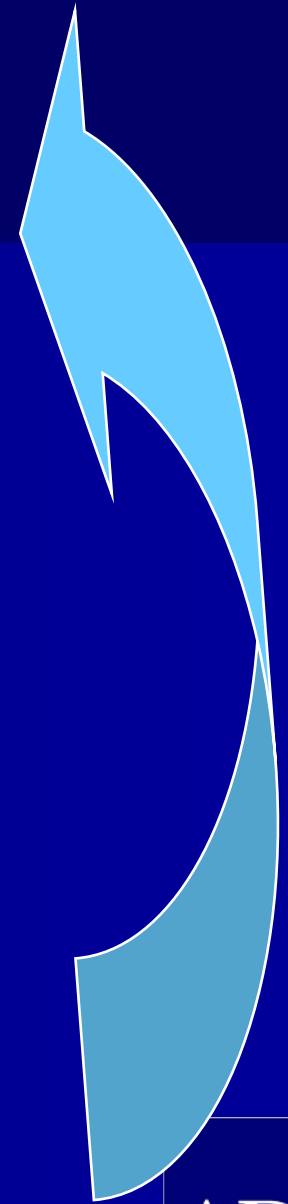
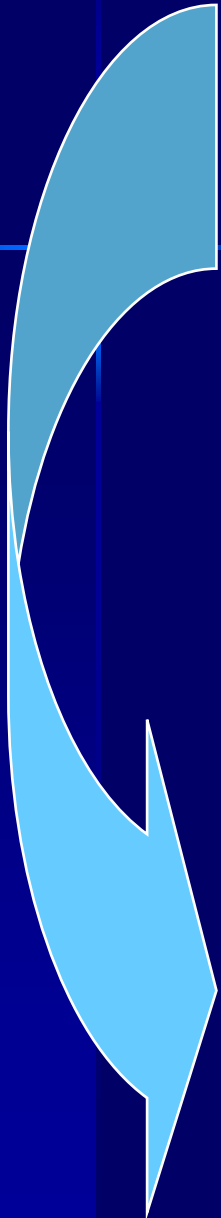
PUBLIC SECTOR
Government Dialogue



Private Sector Development



PRIVATE SECTOR
On the Ground Experience



ADB Strategy Framework

- ADB's Long-Term Strategic Framework:
 - private sector is the driver of change
 - inclusive growth
- PSOD Strategy:
 - Infrastructure
 - Capital Markets

ADB Country Strategy for Uzbekistan - 4 Priorities

- i. accelerate environmentally sustainable rural development;
- ii. enable private sector development;
- iii. facilitate regional transport and customs transit; and
- iv. build the human capital of the poor.

PSOD Expansion Strategy - Uzbekistan

- Leading PSOD expansion in Uzbekistan with Trade Finance Facilitation Program (TFFP)
- TFFP provides guarantees and loans through banks in support of trade
- Looking to include four to six Uzbek banks in the TFFP by first Quarter 2010

TFFP Leading PSOD Uzbek Expansion

- Experience and relationships developed with Uzbek banks
TFFP will facilitate process of expanding into broad range of
PSOD products

Private Sector Financing Products

ADB continues to develop flexible and innovative product offerings to meet the unique financing and risk mitigation needs of our clients and their projects in emerging markets

- Equity Investments

Directly or indirectly (through funds), includes preferred stock, convertible loans, and other forms of mezzanine financing

- Lending

Long-term, dominated in international or local currency
Includes corporate and project Bonds

- B Loan

- Guarantees

Partial Credit & Political Risk Guarantee

Local Currency Financing

- Long-term loan in local currency
 - (CNY, PHP, IDR, INR, THB, and VND)
- Mitigates foreign exchange risks
- Provides long-term financing to match long-term nature of infrastructure investments
- ADB on the forefront of capital market development in Asia
- ADB acts as a catalyst to the local market through tapping a larger and broader range of investors

B Loan

- B Loan is funded by commercial lenders with ADB acting as “lender of record”
- ADB does not guarantee debt service but shares its “preferred creditor status”
- Commercial bank tenor could be extended with B Loan umbrella
- Privileges & Immunities
 - No restrictions on currency conversions & transfers
- Sharing of ADB's Preferred Creditor Status
 - Enhanced coverage from sovereign risk
 - Least chance of debt-rescheduling

Partial Credit Guarantee

- Catalyst in mobilizing private capital
- Diversify funding sources
- Project-tailored maturities
- Matching Project assets and liabilities
- Mitigate political risk
- Reduced borrowing costs
- Supports local currency financing

Political Risk Guarantee

ADB can facilitate up to 100% of commercial cofinancing by covering specifically defined sovereign or political risks that include...

- Government breach of contract
- Expropriation and nationalization
- Currency inconvertibility & nontransfer
- Political violence

PSOD Strategic Sectors

- Power
 - Renewable Energy
 - Energy Efficiency
- Oil & Gas
- Transportation
- Information and Communication Technology
- Environment
 - Waste Water
 - Solid Waste Management

What projects do we favor?

- Model (“replicable”) projects
- Pioneering projects (“a first”)
- Frontier markets
- Projects that influence policy, from the bottom up
- Projects that have wider sectoral / economic impacts
- Projects that have strong poverty reduction elements
- Projects that promote good governance
- ADB involvement that crowds others in (catalytic)
- Innovative structures
- Deepening financial and capital markets
- Bring private sector rigor and management skills into public sector services
- Country Partnership Strategy (CPS) and LTSF alignment
- Projects that are financially strong!

Thank you