



DEVELOPMENT EFFECTIVENESS REPORT 2018

PRIVATE SECTOR OPERATIONS

MAY 2019

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6 ADB Avenue, Mandaluyong City, 1550 Metro Manila, Philippines
Tel +63 2 632 4444; Fax +63 2 636 2444
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Notes:

In this publication, “\$” refers to United States dollars.
ADB recognizes “China” as the People’s Republic of China and “Vietnam” as Viet Nam.

On the cover: Cover photos represent some sectors that ADB committed financing to in 2018, such as the energy sector (renewable energy including solar, wind, and waste-to-energy); agriculture; agribusiness; health; education; and microfinance (photos from ADB; and Al Benavente, Deng Jia, Gerhard Joren, Xayjhome Manilasit, Eric Sales, and Chor Sokunthea for ADB). Cover design and infographics by Mike Cortes.

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FOREWORD

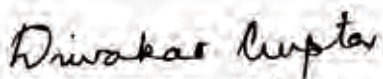
The Asia and Pacific region has made significant progress toward attaining the 2030 Agenda for Sustainable Development including poverty eradication and expanding opportunities for all, and furthering the Paris Agreement on Climate Change. While the achievements are impressive, the region increasingly needs to make development more inclusive. This requires significant investment in infrastructure and social services. Increased access to financial services, including trade finance, will underpin inclusive economic growth and job creation. The Private Sector Operations Department (PSOD) of the Asian Development Bank (ADB) is committed to working with the private sector in Asia and the Pacific toward achieving the Sustainable Development Goals, and helping achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific as highlighted in ADB's Strategy 2030. ADB will expand its private sector operations to reach one-third of its total operations in number by 2024 (from less than one-fifth as of April 2019).

The year 2018 was a record year for PSOD, with private sector investments increasing to \$3.1 billion, compared to \$2.3 billion in 2017 and \$1.8 billion in 2016—the greatest number to date. The energy sector and financial institutions accounted for 67% of new projects committed in 2018, comprising several landmark transactions in the fields of geothermal energy; climate and green bonds; green bus leasing; and micro, small, and medium-sized enterprise (MSME) financing. Areas that previously had lesser focus (such as agribusiness and non-energy infrastructure) increased their share in the total to 20%. Equity transactions (another area of focus for increased growth) accounted for 30% of the number of deals and 9% of the volume.

PSOD continues to pursue the dual mandate of achieving development impact and profitability; expand and diversify its operations into newer and frontier markets; and scale up financing for agribusiness and social sectors, such as health and education. PSOD also plans to widen its coverage in nontraditional infrastructure sectors such as transport, water, waste and sanitation, and information and communication technology. An enriched product mix will help better serve clients and mobilize greater amounts of commercial and official cofinancing in support of ADB's development agenda. PSOD will continue decentralizing its operations to be closer to clients across Asia and the Pacific.

In terms of product innovation, PSOD plans to devote more resources to equity operations and to provide increased local currency financing. PSOD also plans to focus more on credit enhancement to mobilize more cofinancing.

I invite you to review the achievements and activities in this *Development Effectiveness Report 2018: Private Sector Operations*.

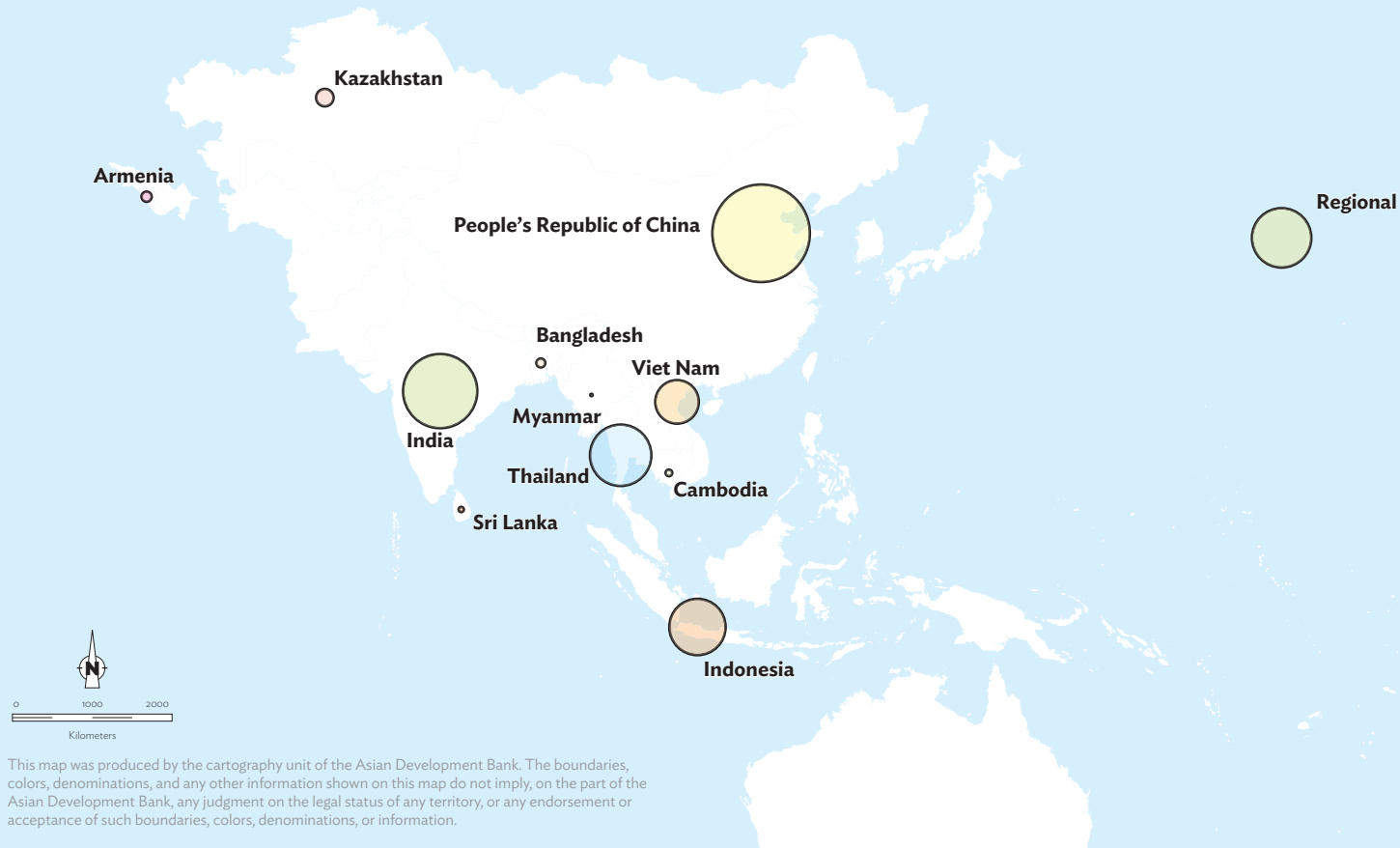


Diwakar Gupta

Vice President, Private Sector Operations and Public-Private Partnerships
Asian Development Bank

ADB's PRIVATE SECTOR OPERATIONS AT A GLANCE

2018 PSOD COMMITMENTS



This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.

CENTRAL AND WEST ASIA

Armenia, \$62 million

- High Efficiency Horticulture and Integrated Supply Chain Project
- Strengthening the Banking Sector for Financial Inclusion

Kazakhstan, \$120 million

- JSC Samruk Energy Restructuring and Transformation Project

SOUTH ASIA

Bangladesh, \$60 million

- Cornerstone Investment in a Leading Power Developer

India, \$500 million^a

- Cholamandalam MSME Finance Project (CIFL)
- Expanding Micro, Small and Medium Enterprise Lending Project (Capital First)
- Annapurna Microfinance Private Limited
- Kutch Wind Project (Ostro Kutch)
- Multiples Private Equity Fund III

Sri Lanka, \$35 million

- Improving Access to Finance for MSMEs

SOUTHEAST ASIA

Cambodia, \$40 million

- Expanding MSME Lending Project (PRASAC)

Indonesia, \$382 million

- Eastern Indonesia Renewable Energy Project (Phase 2)
- Jawa-1 Liquefied Natural Gas-to-Power Project
- Maternity and Child Care Hospital Project
- Rantau Dedap Geothermal Power Project (Phase 2)

Myanmar, \$10 million

- Ascent Myanmar Growth Fund I L.P.

Thailand, \$416 million

- Southern Thailand Waste-to-Energy Project
- Chonburi Natural Gas Power Project
- Thailand Green Bond Project

Viet Nam, \$300 million

- Mainstreaming SME Lending Project (BIDV)
- Municipal Waste-to-Energy Project

EAST ASIA

People's Republic of China, \$808 million

- Environmentally Sustainable Agriculture Input Distribution Project
- Geothermal District Heating Project
- Green Transport Finance (Minsheng)
- Integrated Urban Water Management Project
- Financing MSMEs in Western Regions (MicroCred)
- SME Finance in Underdeveloped Regions Project (Zhujiang)

REGIONAL^b

Regional, \$403 million

- Agricultural Value Chain Development Project
- ASEAN Distributed Power Project (Phase 2)
- DCDC Dialysis Network
- Exacta Asia Investment II, L.P.
- Creador IV, L.P.

- Agribusiness
- Energy (Renewable)
- Energy (Other)
- Financial Institutions
- Private Equity
- Transport
- Water
- Health

^a This includes a \$54 million commitment in 2018 for ReNew Clean Energy Project.

^b Regional projects extend across the following countries: Cambodia, India, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, Papua New Guinea, the Philippines, Singapore, Sri Lanka, Thailand, Timor-Leste, and Viet Nam.

Source: ADB Private Sector Operations Department.

Results Expected from Projects Committed in 2018



Employment
25,957



Government revenues
\$725 million



Domestic purchases
\$2,484 million



Power delivered
35,656 GWh



CO₂ emissions reductions
12.1 million tCO₂ e



Energy generation capacity
5,632 MW



Households with access to water
1.5 million



Water supply
3.9 million m³



Wastewater treated
1.8 million m³



Farmers reached
3.0 million



MSME beneficiaries
6.1 million



Female MSME beneficiaries
3.8 million



People trained
350

Results Achieved by PSOD's Active Portfolio



Employment
313,308



Government revenues
\$2,965 million



Domestic purchases
\$3,973 million



Power delivered
36,875 GWh



CO₂ emissions reductions
11.4 million tCO₂ e



Energy generation capacity
7,662 MW



Households with access to energy
27,425



Households with access to water
353,280



Water supply
25.1 million m³



Wastewater treated
157.6 million m³



Farmers reached
1.5 million



MSME beneficiaries
6.8 million



Female MSME beneficiaries
5.3 million



Students reached
9,455



People trained
322,303



Cargo processed and/or transported
216 million t

ABBREVIATIONS

ADB	–	Asian Development Bank
AML	–	anti-money laundering
CO ₂	–	carbon dioxide
DMC	–	developing member country
MSMEs	–	micro, small, and medium-sized enterprises
PRC	–	People’s Republic of China
PSOD	–	Private Sector Operations Department
SMEs	–	small and medium-sized enterprises
TFP	–	Trade Finance Program
WTE	–	waste-to-energy

WEIGHTS AND MEASURES

tCO ₂ e	–	tons carbon dioxide equivalent
m ³	–	cubic meter
MW	–	megawatt
t	–	ton

EXECUTIVE SUMMARY

Achieving ADB's new Strategy 2030 will require significant contributions by the private sector. Analytical work by the Asian Development Bank (ADB) has shown that developing Asia alone will require annual infrastructure investments of \$1.7 trillion (or \$26 trillion from 2016 to 2030), exceeding the resources available to governments. Access to finance in the region remains constrained due to underdeveloped markets. A report prepared by the International Finance Corporation and the SME Finance Forum underscores the need for access to credit for small and medium-sized enterprises (SMEs), estimating a formal financing gap of over \$2.3 trillion in Southeast Asia and the Pacific. Similarly, ADB's 2017 Trade Finance Gaps, Growth, and Jobs Survey estimates a global trade finance gap of \$1.5 trillion, of which 40% originates from the Asia and Pacific region.

ADB's private sector portfolio grew by 14% to \$12.4 billion in 2018. ADB committed funding to 32 new private sector operations for a total funding amount of \$3.1 billion, a 37% increase compared to \$2.3 billion in 2017, and the highest amount since ADB first extended private sector financing. This direct financing is critically complemented by a record \$7.2 billion in commercial cofinancing, which represents almost 50% of all cofinancing mobilized by ADB.

Programs managed by the ADB Private Sector Operations Department (PSOD) achieved record volumes in 2018. The Microfinance Risk Participation and Guarantee Program facilitated \$271 million in local currency loans to microfinance institutions throughout the region for low-income borrowers, primarily women. The Trade Finance Program supported \$6.2 billion in transactions, while the Supply Chain Finance Program supported financing of \$217 million for SMEs.

Private sector transactions contributed to key strategic priorities:

- 69% of commitments contained specific gender elements;
- 34% of the committed projects were in frontier economies, or lower-middle-income countries excluding India;
- \$1.2 billion was committed for climate-related activities that are expected to avoid 12 million tons of carbon dioxide emissions (tCO₂e); and
- 38% of the committed transactions amounting to \$1.6 billion aim to provide sustainable and affordable clean energy.

Expected Results of Projects Committed in 2018

Transactions committed in 2018 will make significant contributions to the economies of ADB's developing member countries (DMCs). They are expected to generate more than \$725 million in government revenues and enable procurement of \$2.48 billion of goods and services from local firms. 2018 commitments are expected to generate 25,957 new jobs.

These transactions will provide over 6.1 million individuals, as well as micro, small, and medium-sized enterprises (MSMEs) with access to financial services. Over 60% of these are expected to be women or enterprises owned by women. Agribusiness projects committed in 2018 are designed to help improve the livelihood of more than 3 million farmers. In addition to improving rural livelihoods, these transactions will also contribute to improved food security.

Transactions committed in 2018 will improve access to infrastructure services in DMCs. They will generate some 35,655 gigawatt-hours (GWh) of energy annually, enough to serve 2.6 million average households in Asia. Private sector operations committed in 2018 will also help treat 1.8 million cubic meters (m³) of wastewater per year once they are fully operational.

Results Delivered

Active private sector operations in 2018 have contributed to national economies by purchasing local goods and services worth around \$3.9 billion and contributing \$2.9 billion in government revenues. Projects have provided employment for an additional 313,308 people, and trained 322,303 beneficiaries, mostly on responsible finance. ADB's private sector clients have achieved emissions reductions of 11.4 million tCO₂e annually.

Active projects report having installed 7,662 megawatts (MW) in electrical generation capacity, with total power generated of 36,875 GWh, enough to power 2.7 million typical homes in Asia. ADB's private sector clients have treated 157 million m³ of wastewater and produced 25 million m³ of drinking water.

Active projects are supporting access to finance for over 6.8 million individuals and MSMEs, of which 78% are women or enterprises owned by women. Projects contributed to improving the livelihood of 1.5 million farmers either through inclusion in agribusiness supply chains, or through financial inclusion of small-scale farmers and farming households. Other projects contributed to the education of 9,455 additional students.

The Trade Finance Program facilitated 4,476 transactions in 2018 valued at \$6.2 billion, with \$3.74 billion cofinanced by banks, private insurers, and official agencies. Of the total transactions, 3,476 supported SMEs and 1,167 supported trade between DMCs. Over 85% of transactions were conducted in Asian Development Fund countries. The Supply Chain Finance Program supported 530 transactions valued at \$217 million, with \$109 million, or 50% cofinanced by partner financial institutions. Of the 530 transactions, 395 supported SMEs.

Conclusion

ADB's private sector operations have grown significantly. PSOD will continue this growth, expanding its business both geographically and in sectors where it has been less active so far. Development results reporting of ongoing operations, introduced in 2012, shows encouraging progress in delivering development results in Asia and the Pacific.



INTRODUCTION

Thailand's first certified green bond. ADB is investing in a landmark green bond transaction to support the construction and operation of 16 solar power plants in Thailand with a combined capacity of 98.5 megawatts (photo by B.Grimm Power Public Company Limited).

In 2018, the Asia and Pacific region continued to make progress toward meeting the Sustainable Development Goals' commitment of ending poverty and ensuring inclusive prosperity for all. With complementary support coming from both the public and private sectors, the region is gearing toward achieving more balanced growth and development. In 2017, Asia and the Pacific's share of global gross domestic product at purchasing power parity surged to 42.6%, approximately two-fifths of global output,¹ a clear display of the region's rise in economic influence.

The Asian Development Bank (ADB) forecast a moderate economic growth of 5.9% for Asia and the Pacific in 2018, slightly slower than the reported gross

domestic product growth of 6.2% in 2017. This was due to decelerating global trade and economic activity at the end of 2018.² While growth remained robust, challenges remain. Over 330 million people across the region continue to suffer from extreme poverty, living on a daily income of less than \$1.90 (footnote 1). Lack of access to basic services, finance, health, and social protection mechanisms further reduces the quality of life of people excluded from growth. The presence of government support has always been critical, but for most developing economies, tight fiscal resources limit their capacity to bring aid to where it is needed the most. In a broader sense, sustaining development that is truly inclusive is not only a public sector burden, but cuts across all economic groups.

¹ ADB. 2017. *Key Indicators for Asia and the Pacific 2017*. Manila. <https://www.adb.org/publications/key-indicators-asia-and-pacific-2017>.

² ADB. 2019. *Asian Development Outlook 2019: Strengthening Disaster Resilience*. Manila. <https://www.adb.org/publications/asian-development-outlook-2019-strengthening-disaster-resilience>.

A study prepared by ADB and the ADB Institute (ADBI), found that developing Asia's investment needs for infrastructure alone require a staggering \$750 billion a year, exceeding the resources available to governments.³ Access to finance in the region remains constrained due to underdeveloped markets. In India, for instance, less than 7% of borrowers access credit through formal channels, and women are at a greater disadvantage, with only about 5% having access to credit.⁴ A report prepared by the International Finance Corporation and the SME Finance Forum underscores the need for access to credit for small and medium-sized enterprises (SMEs), given a formal financing gap estimated at over \$2.3 trillion in Southeast Asia and the Pacific (footnote 4). Similarly, ADB's 2017 Trade Finance Gaps, Growth, and Jobs Survey estimates a global trade finance gap of \$1.5 trillion, of which 40% originates from the Asia and Pacific region. The private sector plays a very important role in generating growth, creating employment, and delivering innovative solutions to achieve regional economic development.

The Private Sector Operations Department (PSOD) of ADB helps fill this market gap by catalyzing resources and mobilizing private sector investments in developing Asia and the Pacific. It supports projects that pursue ADB's overarching objective

to amplify development impact and effectiveness. PSOD attracts investments in privately held and state-sponsored companies and financial institutions across a wide range of industry sectors throughout the region, placing emphasis on commercially viable transactions that generate financial returns, while also delivering on ADB's organization-wide commitment of promoting environmentally sustainable and inclusive economic growth.

In 2018, ADB continued to help its developing member countries (DMCs) improve their business environments, foster competitiveness in the private sector, and provide opportunities for new and existing businesses to contribute to the region's economic development. Furthermore, under Strategy 2030, ADB will expand the number of its private sector operations to reach one-third (from under a fifth today) of its total operations by 2024. It will expand and diversify its private sector operations in new and frontier markets, including markets viewed as riskier by the private sector but with strong development result potential such as in fragile and conflict-affected situations, and small island developing states. ADB will continue to pursue development impact as the key objective of its private sector operations and will seek to ensure profitability and financial sustainability overall.⁵

³ ADB. 2017. *Meeting Asia's Infrastructure Needs*. Manila. <https://www.adb.org/publications/asia-infrastructure-needs>.

⁴ World Bank. Global Financial Inclusion Database. <https://datbank.worldbank.org/data/reports.aspx?source=1228> (accessed 11 March 2019).

⁵ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila. <https://www.adb.org/documents/strategy-2030-prosperous-inclusive-resilient-sustainable-asia-pacific>.



OPERATIONAL RESULTS

Greater financial access for women.
ADB's Microfinance Risk Participation and Guarantee Program supports the expansion of access to finance for small entrepreneurs in rural areas (photo by ADB).

The ADB Private Sector Operations Department (PSOD) structures and finances transactions with private enterprises (as well as with commercially run state-owned enterprises) across a wide range of sectors throughout developing Asia and the Pacific. To maximize impact and help create viable, demonstrable, and replicable financing models, PSOD also mobilizes significant financing from private investors, commercial lenders, and international finance institutions.

In recent years, the average time between approval and first signature of financing agreements is 4 months. As a result, the cohort of projects approved and those committed in 2018 partially consist of different projects as a project may be approved in 1 year and signed in the next.⁶

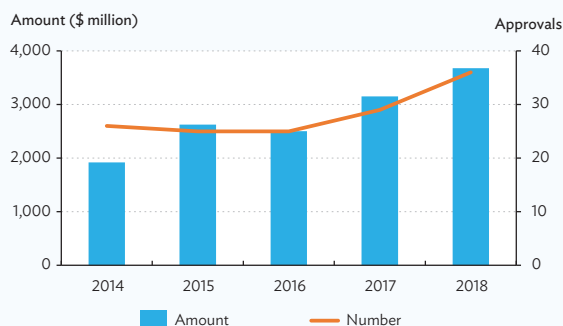
New Projects Committed in 2018

In 2018, ADB's Board of Directors approved 36 nonsovereign projects for a total amount of \$3.7 billion (Figure 1). PSOD committed (signed) 32 transactions for a total of \$3.1 billion (Figure 2). The overall approval amount increased by 17%, and the number of commitments by 37%, compared to 2017. These are the highest achieved by PSOD to date.

Private sector operations represent almost 50% of the total cofinancing mobilized by ADB. In 2018, direct value-added cofinancing grew to \$7.2 billion, of which \$356.1 million came from official cofinancing contributed by member governments and administered by ADB (Table 1). ADB's Trade and Supply Chain

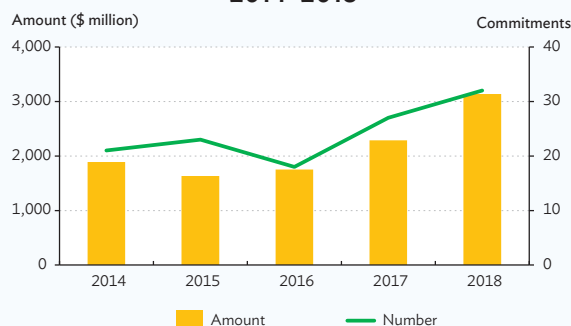
⁶ A committed project refers to a project for which a legal agreement has been signed. Committed amounts refer to the total amount for which legal agreements have been signed.

Figure 1: Private Sector Project Approvals, 2014–2018



Source: ADB Private Sector Operations Department.

Figure 2: Private Sector Project Commitments, 2014–2018



Source: ADB Private Sector Operations Department.

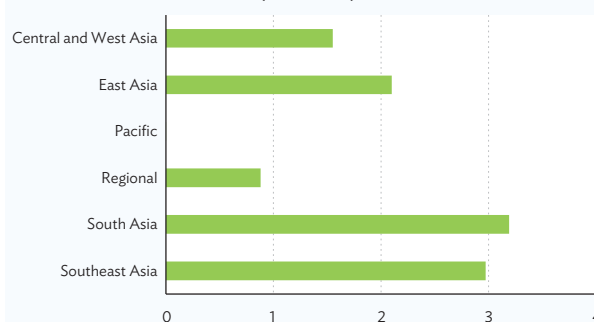
Financing Programs contributed \$3.9 billion, with the remainder consisting of B loans, guarantees, parallel loans, and risk transfers.

The region with the largest amount of financing committed covering 2014 to 2018 was South Asia followed by Southeast Asia, East Asia, Central and West Asia, and regional projects⁷ (Figure 3).

In 2018, energy projects continued to dominate the commitment portfolio of PSOD, amounting to \$1.7 billion or equivalent to around 54% of the total commitment amount; while the volume of financial intermediary projects committed in 2018 doubled from 2017 to over \$900 million (Figure 4). Commitments in health-related projects decreased marginally.

PSOD's programs also achieved record volumes with the Microfinance Risk Participation and Guarantee Program (MFP), facilitating \$271 million in local currency loans to microfinance institutions (MFIs) for low-income borrowers, primarily women, throughout the region (Box 1). The average loan size to micro borrowers is \$200. The Trade Finance Program financed \$6.2 billion in transactions and the Supply Chain Finance Program extended financing of \$217 million for SMEs.

Figure 3: Commitments by Region, 2014–2018 (\$ billion)



Source: ADB Private Sector Operations Department.

Table 1: Value-Added Cofinancing, 2018 (\$ million)

	Amount
Official Cofinancing (PSOD)	356.08
Commercial Cofinancing	6,809.17
B Loans	135.00
Guarantee Cofinancing	136.81
Parallel Loans and/or Equity	2,547.41
Risk Transfer Arrangements	135.12
Trade Finance	3,746.12
Supply Chain Finance	108.71
Direct Value-Added Cofinancing	7,165.25^a

^a Amount excludes technical assistance cofinancing.

Source: ADB Private Sector Operations Department.

⁷ The regional projects span across the following countries: Cambodia, India, Indonesia, the Lao People's Democratic Republic, Malaysia, Myanmar, Papua New Guinea, the Philippines, Singapore, Sri Lanka, Thailand, Timor-Leste, and Viet Nam.

Box 1

Financial Inclusion and Gender—Microfinance Risk Participation and Guarantee Program

At the regional level, the Microfinance Risk Participation and Guarantee Program (MFP) of the Asian Development Bank (ADB) is designed to address a market gap by sharing risks to promote local currency lending to microfinance institutions (MFIs) across developing member countries. The MFP expands access to finance for businesses and people at the bottom of the income pyramid. To share the risk of loan defaults, the program partners with local and international banks, which extend financing to partner MFIs.



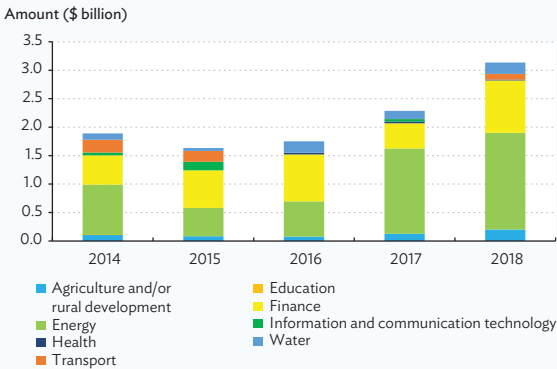
Empowerment. ADB’s Microfinance Risk Participation and Guarantee Program helps the unbanked, low-income individuals gain access to finance to support their livelihoods without the need for collateral, as well as build savings and become part of the country’s formal financial system (photo by ADB).

In 2018, the program expanded by including two microfinance institutions in Myanmar and accrediting Hatton National Bank as its first MFI partner institution in Sri Lanka. These developments extended the program’s reach to 21 MFIs and eight partner financial institutions. In 2018, PSOD arranged new loans under the MFP totaling \$271 million, and mobilized cofinancing of \$137 million to over 1.26 million poor borrowers, mostly women.

In addition to the MFP, PSOD also worked directly with MFIs, providing long-term debt and equity to Annapurna Finance Private Limited, as well as credit lines to other financial institutions supporting MSMEs in Cambodia, the People’s Republic of China, and Sri Lanka, among others.

Source: ADB Private Sector Operations Department.

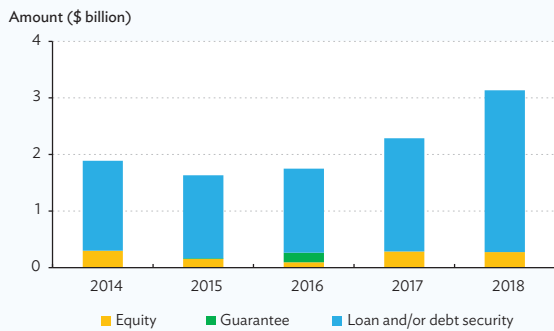
Figure 4: Commitments by Sector, 2014–2018



Source: ADB Private Sector Operations Department.

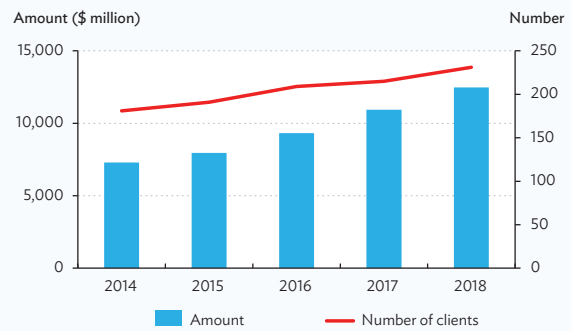
PSOD continued to diversify its use of financial products in 2018. Loan products continued to dominate the product mix in 2018, while the share of equity products dropped to 8.7% of the total committed funding. ADB’s equity portfolio went down by 5% while the loan portfolio grew by 43% (Figure 5). ADB’s financing of a natural gas project in Thailand and an SME lending project in Viet Nam contributed significantly to the increase in loan commitments.

Figure 5: Commitments by Product, 2014–2018



Source: ADB Private Sector Operations Department.

Figure 6: Total Private Sector Portfolio, 2014–2018



Note: Trade Finance Program figures are not included.

Source: ADB Private Sector Operations Department.

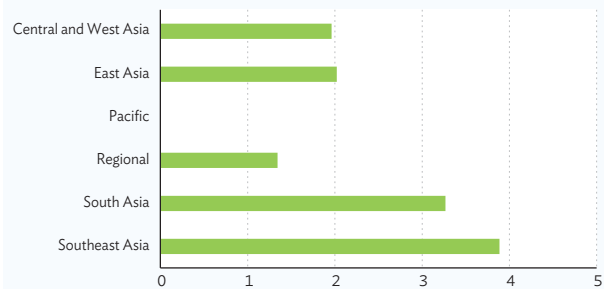
Portfolio of Projects under Implementation

PSOD’s total committed portfolio, consisting of outstanding amounts and funds committed but not yet disbursed, grew by 14% to \$12.4 billion in 2018 (Figure 6).

The regions with the largest growth in PSOD’s portfolio were Southeast Asia (31%) and South Asia (26%) (Figure 7), and 34% of the portfolio were clients operating in frontier countries.⁸

The disbursement ratio increased in 2018 after a fall in 2017 (Figure 8).⁹ The increase in disbursement was attributed to the growth in commitments in 2018, and sizable disbursements that were postponed from 2017 to 2018.

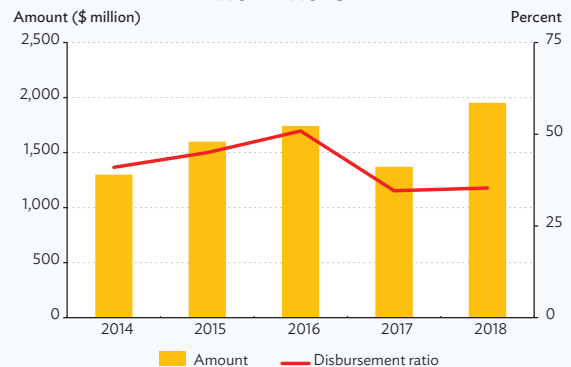
Figure 7: Total Private Sector Portfolio by Region, 2018 (\$ billion)



Note: Trade Finance Program figures are not included.

Source: ADB Private Sector Operations Department.

Figure 8: Private Sector Disbursements, 2014–2018



Note: Trade Finance Program figures are not included.

Source: ADB Private Sector Operations Department.

⁸ Frontier countries are low-income and lower-middle-income countries, excluding India, fragile and conflict-affected situations, and small island developing states.

⁹ The disbursement ratio for the year is computed as the amount disbursed during the year divided by the undrawn balance at the beginning of the year, plus signed amounts during the year, less any cancellation.

Projects by Sector, 2014–2018

Infrastructure

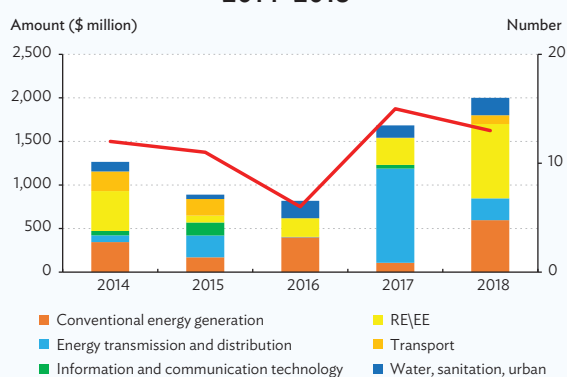
In 2018, ADB committed 13 new infrastructure projects (Figure 9). The amount committed increased to \$2.0 billion, exceeding the previous record of \$1.7 billion set in 2017. This includes \$1,190 million of climate mitigation financing.

Energy remains the largest sector with \$1.7 billion in funding committed. Of this amount, nearly \$827.75 million comes from five conventional energy generation projects. This includes \$235 million for the ASEAN Distributed Power Project (Phase 2), and \$227.70 million for Thailand’s Chonburi Natural Gas Power Project.

The number of renewable energy transactions committed increased to seven, amounting to \$740 million. These include solar, wind, geothermal, and waste-to-energy (WTE) projects.

Energy generation projects committed in 2018 will add generation capacity of more than 5,630 megawatts (MW), resulting in annual generation of 35,655 gigawatt-hours (GWh) of additional electricity,

Figure 9: Infrastructure Sector Commitments, 2014–2018



RE/EE = renewable energy/energy efficiency.

Source: ADB Private Sector Operations Department.

enough to power over 2.6 million households. They will also connect 21,000 people to the power grid.

PSOD committed funding of \$300 million in transport and urban development, which will provide 3.9 million cubic meters (m³) of water supply and treat 1.8 million m³ of wastewater.

PSOD’s infrastructure portfolio grew to \$6.9 billion, based on strong growth in energy projects (Table 2). The sector now accounts for 55% of PSOD’s portfolio. PSOD’s active infrastructure projects have installed 7,662 MW generation capacity and delivered 36,875 GWh to DMCS’ electricity grids, enough to serve more than 2.7 million households. PSOD projects provided energy access to 27,425 households. ADB’s private sector water projects help supply over 25 million m³ of water and treat 157 million m³ of wastewater. PSOD connected 353,280 households to the water grid.

Table 2: Portfolio by Primary Transaction Sector, 2014–2018

	2014	2015	2016	2017	2018
Infrastructure	4,656	4,879	4,871	6,149	6,936
Clean Energy	2,077	2,015	1,906	2,159	2,446
Conventional Energy	1,857	1,798	1,811	2,814	3,302
Urban and Water	465	464	542	585	733
Transport	234	431	462	421	327
ICT	23	170	150	170	128
Finance	2,331	2,699	4,034	4,379	4,908
Agriculture	184	245	299	260	430
Others^a	127	126	112	105	205
TOTAL					12,480

^a Industry and Trade, Education and Health.

ICT = information and communication technology.

Source: ADB Private Sector Operations Department.

Financial Institutions

In 2018, PSOD committed 14 new projects in the financial sector totaling \$921 million (Figure 10), of which four are private equity funds and 10 are financial institutions. Of the 14 projects committed in 2018, 6 are equity investments, which is slightly higher than the 5 equity transactions in 2017, while the remaining 8 projects were financed through debt. The increase in the total number of committed projects subsequently led to a higher overall commitment amount in 2018 compared to the previous year.

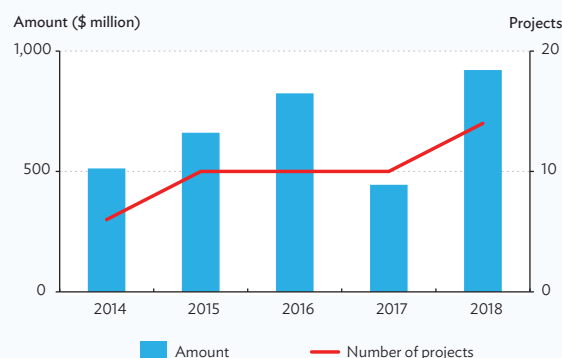
Most financial institution transactions committed in 2018 remained focused on financial inclusion of underserved populations, including women, microentrepreneurs, and people living in rural areas. PSOD's financial institution clients are anticipated to provide access to financial services for 6.1 million additional individuals or micro, small, and medium-sized enterprises (MSMEs), 3.8 million of whom are expected to be women, or firms owned or operated by women. A total of 15.5 million MSME loans are specifically targeted toward rural customers and agribusinesses.

The portfolio of financial sector projects amounted to \$4.9 billion in 2018 (Table 2). Active projects have provided financial services to approximately 6.8 million MSME beneficiaries, including 5.3 million women and female-owned MSMEs. PSOD's financial sector clients specifically targeting financial services to SMEs provided such services to 45,126 SMEs.

Agribusiness

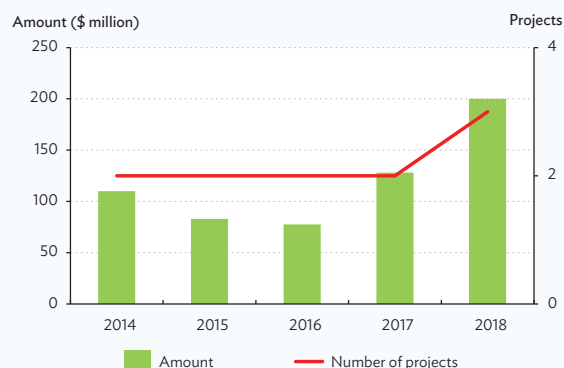
A total of \$200 million was committed in 2018 for three agribusiness projects as PSOD continued to expand its agribusiness program (Figure 11). PSOD's agribusiness projects support rural livelihoods; for example, by investing in firms that provide employment to rural populations, or that source goods from smallholder farmers. By promoting sustainable agriculture, projects also contribute to the availability

Figure 10: Financial Institution Commitments, 2014–2018



Source: ADB Private Sector Operations Department.

Figure 11: Agribusiness Commitments, 2014–2018



Source: ADB Private Sector Operations Department.

of safe, affordable, and nutritious food. Transactions committed in 2018 will support the livelihoods of more than 3 million farmers.

At the end of 2018, ADB's portfolio directly supporting agribusiness financing stood at \$430 million. In addition to this, PSOD supports the sector through the financial inclusion of agricultural MSMEs. Active PSOD projects have reached 1.5 million farmers and rural households, providing financial services or inclusion in agribusiness value chains.



CATALYZING AND MOBILIZING COFINANCING

Microfinancing.
A credit union in Uzbekistan funded by a microfinance project of ADB (photo by ADB).

The Private Sector Operations Department mobilizes long-term cofinancing that matches or exceeds its own funding to meet Asia and the Pacific's financing needs. In 2018, PSOD mobilized long-term commercial cofinancing of \$3.6 billion. This means that every \$1 of PSOD's own funds was matched by \$1.20 of long-term cofinancing from commercial and official sources. Among the major achievements in cofinancing in 2018 are (i) ADB's first B loan in Myanmar of \$35 million for Meeyatha Development, which supplies residential and office space in Yangon; (ii) ADB's first B loan in Viet Nam of \$100 million for the Joint Stock Commercial Bank for Investment and Development of Vietnam, which was twice oversubscribed; and (iii) a \$923 million loan from the Japan Bank for International Cooperation and commercial banks, which ADB mobilized for the 2,500 MW Chonburi gas-fired power plant located in the Eastern Economic Corridor in Thailand.

Leveraging on its rich expertise of financing private sector infrastructure projects across the region, ADB manages several private sector-focused funds entrusted to ADB by donor governments. These funds currently total over \$2 billion and offer concessional blended finance or long-term cofinancing for climate-friendly or high-quality, sustainable infrastructure projects. In 2018, ADB deployed a total of \$356 million in third-party financing, consisting of (i) \$50 million from the Clean Technology Fund for a geothermal power project; (ii) \$22 million from the Canadian Climate Fund for the Private Sector in Asia II for four solar power plants in Indonesia; and (iii) \$209 million from the Leading Asia's Private Infrastructure Fund, funded by the Japan International Cooperation Agency (JICA) for clean energy and health projects in India, Indonesia, and other countries. ADB also mobilized a \$75 million direct loan from JICA for a regional agribusiness value chain project.



CONTRIBUTIONS TO STRATEGY 2030 OPERATIONAL PRIORITIES

Wind farm. The renewable energy transactions committed in 2018 include solar, wind, geothermal, and waste-to-energy projects (photo by ADB).

Under Strategy 2030, ADB will expand its private sector operations by 2024 to reach one-third of its total operations in terms of number. It will continue to focus on mobilization, gender, and climate change (footnote 5). ADB will also expand and diversify into new and frontier markets, such as fragile and conflict-affected situations and small island developing states. Operations will balance development outcomes with financial sustainability, in the context of particular market dynamics.

Strategy 2030 articulates seven operational priorities and strategic directions for ADB's private sector operations

and transaction advisory services to help clients address the large market gaps that exist across Asia and the Pacific. These range from short-term trade financing, to medium- and long-term MSME and affordable housing financing, to long-term project financing, for instance.¹⁰ These types of financing aim to fulfill the huge long-term financing needs for infrastructure and access to finance in the region.¹¹

In 2018, PSOD's projects and programs were strongly aligned with the seven operational priorities of ADB's Strategy 2030.

¹⁰ A. Di Caprio, K. Kim, and S. Beck. 2017. Trade Finance Gaps, Growth, and Jobs Survey. *ADB Briefs*. No. 83. Manila: ADB. <https://www.adb.org/publications/2017-trade-finance-gaps-jobs-survey>.

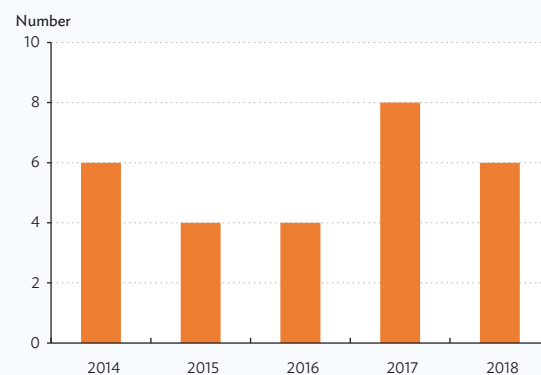
¹¹ P. Vandenberg, P. Chantapacdepong, and N. Yoshino, eds. 2016. *SMEs in Developing Asia: New Approaches to Overcoming Market Failures*. Tokyo: Asian Development Bank Institute. <https://www.adb.org/publications/smes-developing-asia-new-approaches-overcoming-market-failures>.

Addressing Remaining Poverty and Reducing Inequalities

In 2018, ADB's private sector operations continued to assist DMCs in broadening access to financial services and health care. Of the 2018 commitments, 19% (6 out of 32) of PSOD's total projects supported inclusive business initiatives that provide economic opportunities to the poor. Inclusive business transactions fund businesses that are financially viable and generate high development impact. They provide goods and services to the base of the income pyramid or support the livelihoods of lower-income segments of the population.

In 2018, PSOD signed agreements for six inclusive business transactions (Figure 12). Most of these transactions focus on providing financial services to the underserved (Box 2), on improving rural livelihoods, or on providing health services to underprivileged

Figure 12: Inclusive Business Projects Committed, 2014–2018



Source: ADB Private Sector Operations Department.

segments of the population. ADB also committed to an investment for the expansion of affordable dialysis clinic networks in India on a public–private partnership basis (Box 3).

Box 2

Inclusive Business Finance and Gender Project Focused on Lagging States and Rural Areas—Annapurna Finance Private Limited, India

In India, the Asian Development Bank (ADB) approved \$30 million in equity and \$20 million in debt to Annapurna Finance Private Limited, one of the largest microfinance institutions in India whose portfolio is mainly in lagging states and rural areas. The investment will support Annapurna's growth as it expands its lending presence in eastern and central India and diversifies across underpenetrated regions in the country.

This will be Annapurna's first partnership with a multilateral institution. The investment will be used to finance microfinance loans to women customers under the self-help group and joint liability group models; provide small loans to individuals and micro and small enterprises; and provide loans for affordable housing. ADB is also providing capacity building technical assistance of up to \$500,000 to support Annapurna in key areas such as gender mainstreaming, skills development of customers, and risk management. It will also support Annapurna's adherence to high corporate governance and adoption of market-leading risk management, social, and environmental standards.

Source: ADB Private Sector Operations Department.



Financing and gender mainstreaming. ADB is providing increased access to finance for women in underpenetrated, rural areas of India by providing funding support to Annapurna Finance Private Limited, a microfinance institution (photo by ADB).

Box 3

Health Services for the Poor—DCDC Health Services, India

The Asian Development Bank (ADB) has a strong focus on supporting enterprises that provide quality health services to underprivileged populations. To further this strategic objective, ADB committed \$10 million from its own funds and from the Leading Asia's Private Infrastructure Fund to DCDC Health Services Private Limited (DCDC), which is one of the leading providers of quality dialysis and ancillary services to end-stage renal disease (ESRD) in India. DCDC is the second-largest provider of dialysis centers built under public-private partnership and caters mainly to the economically weaker sections of the population.

Approximately 1.3 million Indians suffer from ESRD. The average age of an ESRD patient is 40 years compared to 60 years globally; and more men than women are impacted. This means ESRD has a large impact on the financial health of households. Only about 10% of the patients who are aware that they are suffering from ESRD undergo dialysis due to insufficient supply of dialysis services, the lack of awareness of chronic kidney disease, and the relatively high cost of treatment.

DCDC aims to increase the availability of ESRD treatment by bringing low-cost quality dialysis to poor people who currently do not have access to such treatment. DCDC has more than 100 centers in operation, with an installed base of more than 700 machines.

With ADB's investment, the company is expected to expand its operations to 181 centers by 2021. By providing technical assistance, ADB is also helping DCDC strengthen its operations, professionalize its corporate governance, and adopt international best practices on dialysis treatment to achieve scalability and replication.

Source: ADB Private Sector Operations Department.

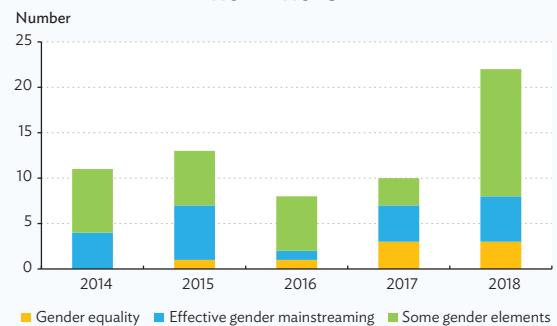


Access to quality and affordable dialysis. ADB's investment in DCDC Health Services has enhanced access to critical dialysis care for a large section of the population (photo by DCDC Health Services Private Limited).

Accelerating Progress in Gender Equality

PSOD works with clients to enhance gender equity by supporting projects designed to benefit women, helping them to improve their livelihoods, or making the work environment more supportive of women and their needs. In 2018, PSOD committed 22 projects with gender elements (Figure 13).

Figure 13: Commitments with Gender Elements, 2014–2018



Source: ADB Private Sector Operations Department.

Five of these projects deliver outcomes that directly support gender equality and women’s empowerment by narrowing gender disparities. In the People’s Republic of China (PRC), ADB is supporting MicroCred China Limited, which is known for providing unsecured microloans to MSMEs in Sichuan Province. By expanding access to finance, the ADB investment is helping to foster small businesses and generate more jobs in this underdeveloped region. The project also aims to provide microloans to more than 10,000 female borrowers.

In 2018, ADB’s Sustainable Development and Climate Change Department, through the Gender Initiative of the Trade Finance Program, worked to have the human resource policies of partner banks assessed by gender experts to determine if they could be enhanced to attract and retain women in banking. The program

was implemented on a voluntary basis and 20 banks participated. As of December 2018, 12 banks in six DMCs have implemented 25 recommendations from the Gender Initiative. Recommendations implemented include the development of sophisticated maternity leave policies (in one case, the introduction of paternity leave); design of leadership programs for women; introduction of part-time working arrangements; work rotation opportunities across branch networks; and making human resource policies, practices, and guidelines readily available.

ADB also promoted gender equality in human development by expanding private sector operations in the health sector with a focus on maternity and child care services (Box 4).

Box 4

Maternal and Child Health—PT Medikaloka Hermina, Indonesia

In May 2018, the Asian Development Bank (ADB) invested \$19 million from its ordinary capital resources and from the Leading Asia’s Private Sector Infrastructure Fund (LEAP) for the second-largest private hospital group in Indonesia, PT Medikaloka Hermina (Hermina). Hermina has over 33 years of experiences in providing professional and comprehensive health care services, with emphasis on women and child care. Through its partnership with Jaminan Kesehatan Nasional, the universal health insurance program of the Government of Indonesia, Hermina contributes to more affordable and equitable access to health care services in the country.

As of December 2018, Hermina has 31 hospitals with more than 2,550 specialists across 19 cities in Indonesia. ADB’s participation as an anchor investor in the initial public offering of Hermina helped the company raise \$140 million in challenging market conditions.

ADB’s equity investment will help Hermina expand its operations to 40 hospitals with 4,000 beds by 2020, thereby improving access to high-quality, affordable maternity and child health care services and general hospital services in Indonesia.

Source: ADB Private Sector Operations Department.



A hospital accident and emergency room. Nurses and doctors trained in advanced trauma support are helping improve emergency health care services in ADB-supported private hospitals in the country (photo by PT Medikaloka Hermina Tbk).

Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing Environmental Sustainability

ADB continues to play a major role in financing climate-related projects in Asia and the Pacific, largely through its infrastructure focus. It also provides climate-related financing through financial institutions. In 2018, PSOD committed \$1.2 billion to climate financing (Figure 14), which is expected to result in investments that will reduce greenhouse gas emissions by 12.1 million tons of CO₂ equivalent (tCO₂e). PSOD's active portfolio contributes to emission reductions of 11.4 million tCO₂e per year.

In Thailand, ADB is supporting a 25-megawatt biomass waste-to-energy (WTE) power plant to be built by Gulf Energy Development in the southern part of the country where investment is low. This environmentally sustainable project will convert 825 tons of agricultural

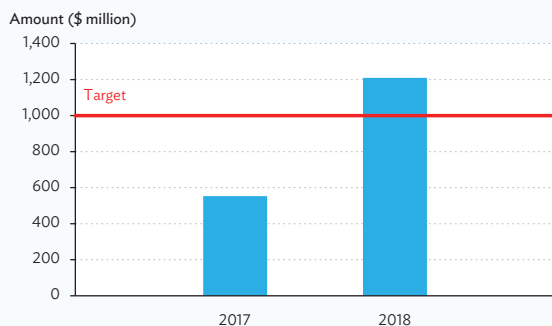
waste into electricity every day, helping make other rural communities more aware of the benefits and sustainability of WTE projects.

In Eastern Indonesia, ADB financed the first utility-scale private sector solar projects in the country, totaling 42 MW and sponsored by Equis Group, one of the largest independent infrastructure private equity fund managers in Asia. ADB also committed \$305 million (from its own funds and from the Leading Asia's Private Sector Infrastructure Fund) to PT Jawa Satu to build, operate, and maintain a 1,760-megawatt combined-cycle gas-fired power plant in West Java. The assistance will support the development of one of the first and largest power projects using liquefied natural gas in Indonesia, highlighting the country's commitment to reduce dependency on coal while using cleaner domestic energy sources.

In India, ADB provided a \$100 million loan to Ostro Kutch Wind, a renewable energy company owned by investment funds under management of Actis Capital, for the construction and operation of a 250-megawatt wind power project in Gujarat. The project was awarded under India's first wind energy auction, launched in 2016 by the Ministry of New and Renewable Energy. This auction has brought down the cost of wind power below that under the feed-in-tariff regime.

In addition to clean energy projects, in 2018, ADB made a direct loan and mobilized a B loan to facilitate the deployment of green buses that are energy-efficient or that run on cleaner fuels in the PRC (Box 5). ADB subscribed to the first climate bond (certified by the Climate Bonds Initiative); and the first green bond, issued by a Thai energy company in compliance with the International Capital Markets Association's Green Bond Principles (Box 6).

Figure 14: Committed Climate Funding, 2017–2018



Source: ADB Private Sector Operations Department.

Box 5

Green Transport Finance—Minsheng Financial Leasing, People’s Republic of China

The Asian Development Bank (ADB) committed a \$200 million direct A loan and a \$200 million B loan to Minsheng Financial Leasing to procure more electric buses as well as batteries and charging stations to reduce traffic congestion and air pollution in the poor central and western regions of the People’s Republic of China. ADB’s direct loan will be used to finance the leasing or purchasing of green buses. Green buses eligible for ADB financing must meet Euro V-equivalent emission standards and fall under at least one of two categories: energy-efficient and new-energy buses; or buses running on cleaner fuel such as compressed or liquefied natural gas, or biomethane.

Proceeds of the loan will finance (i) green vehicles, which include green buses as well as other commercial vehicles and passenger cars that meet the same emission standards and fall within the same categories as the green buses; and (ii) batteries and charging stations for electric vehicles. The project is supported by a technical assistance financed by the Global Environment Facility, which will strengthen the knowledge of bus companies in operating and maintaining green vehicles.

Source: ADB Private Sector Operations Department.



ADB financing for green buses. Green buses must be energy-efficient and new-energy buses; or buses running on clean fuel such as compressed or liquefied natural gas, or biomethane (photo by ADB).

Box 6

Strengthening Financial Sector and Capital Markets through Climate-Friendly Green Bonds—B.Grimm, Thailand

In 2018, the Asian Development Bank (ADB) subscribed \$153 million in corporate bonds issued by B.Grimm, a leading energy company in Thailand with a growing presence in other countries in the region. The bond is the first “Climate Bond” and the first “Green Bond” issued by a Thai energy company.

The bond proceeds will support the refinancing and construction of 16 utility-scale solar power plants in Thailand, for a total capacity of 98.5 megawatts. From this experience, ADB hopes to replicate issuance of internationally certified green bonds in Thailand and other countries in the Association of Southeast Asian Nations, to mobilize new commercial investors for renewable energy projects. ADB also hopes to encourage other players in the market to improve their environmental and social management systems.

Source: ADB Private Sector Operations Department.



Thailand’s first certified green bond. ADB’s investment supported the construction and operation of 16 solar power plants with a total capacity of 98.5 megawatts (photo by B.Grimm Power Public Company Limited).

Making Cities More Livable

In 2018, ADB private sector operations in urban areas focused on providing solutions to help build livable cities that are green, competitive, and resilient. These include projects in the energy (geothermal district heating), wastewater, and solid waste management, and housing finance sectors.¹²

In 2018, PSOD committed its first renewable energy project in Viet Nam that will transfer international standard WTE technology and operating know-how from the PRC. The \$100 million commitment to China Everbright International to operate WTE plants in primary and secondary cities will treat 7,500 tons of municipal solid waste every day. This is the first municipal WTE project financed entirely by the private sector in Viet Nam, and the first to use advanced clean technologies (including flue gas emission control) that meet international standards.

Through a \$200 million loan, ADB is also helping China Water Affairs Group Limited to develop and operate integrated urban water management projects in the PRC. These projects will increase or improve water treatment capacity for over 10 million m³ of water; and 1.8 million m³ of wastewater per day, while also constructing at least 5,000 kilometers of sewage pipelines.

In the PRC, ADB is providing a \$250 million loan to support collaboration between Sinopec Group and Arctic Green Energy to construct, acquire, rehabilitate, and/or operate geothermal-based heating systems under a public-private partnership arrangement

with a municipal government. The systems will serve residential, commercial, and industrial users, and the project is expected to reduce greenhouse gas emissions by over 7 million tCO₂e every year. This is PSOD's first investment in geothermal district heating that complements ADB's sovereign initiatives to address severe air pollution in the Greater Beijing-Tianjin-Hebei region.

Promoting Rural Development and Food Security

In 2018, ADB continued to promote rural development and food security through its agribusiness operations, which support climate-smart agriculture and food processors and distributors that embrace inclusive and environmentally responsible business practices. Rural development was also supported through financial institutions in Armenia, the PRC, and Viet Nam, among other countries.¹³

In 2018, ADB's private sector operations committed \$200 million in direct agribusiness financing, the highest commitment ever. This included the first financing to an agricultural input and service provider that supplies high-efficiency fertilizers and other environmentally sustainable solutions to 3 million smallholder farmers in the PRC (Box 7). Another landmark project is supporting the expansion of midstream processing plants and working capital investments for smallholder farmer supply in Indonesia, Papua New Guinea, Timor-Leste, and Viet Nam (Box 8).

¹² ADB. 2018. *Georgia: Low-Income Housing Finance for Credo Bank JSC, and Affordable Mortgage Finance for TBC Bank JSC*. Manila. <https://www.adb.org/sites/default/files/project-documents/52187/52187-002-52187-001-rrp-en.pdf>.

¹³ For instance, ADB's \$200 million loan to the Joint Stock Commercial Bank for Investment and Development of Viet Nam (BIDV) will reach SMEs in rural areas. By partnering with BIDV, which has one of the largest networks in Viet Nam and an established and growing SME business line, ADB will maximize its development footprint.

Box 7

Climate-Smart Agriculture—Kingenta Ecological Engineering, People’s Republic of China

In the People’s Republic of China, the Asian Development Bank (ADB) is supporting Kingenta Ecological Engineering, the largest compound fertilizer producer in the country, with a \$50 million loan and \$30 million in equity to establish 300 crop production service centers and associated fertilizer manufacturing plants. The centers will distribute high-efficiency chemical and organic fertilizers and other environmentally sustainable agricultural products and services to around 3 million smallholder farmers in eight provinces (including six relatively poor provinces).

The financing will support the professionalization of smallholder farmers and boost rural incomes. The increased use of high-efficiency fertilizers is also expected to help lower the overall fertilizer consumption in the country because of their higher nutrient-use efficiency, while lowering reduce soil and water pollution.

Source: ADB Private Sector Operations Department.



Environmentally sustainable agricultural products and services. ADB financing will help farmers improve the yields and quality of their agricultural products (photo by Kingfarm).

Box 8

Inclusive Agricultural Value Chains—Olam International, Indonesia, Papua New Guinea, Timor-Leste, and Viet Nam

At the regional level, the Asian Development Bank (ADB) is supporting Olam International, a global leader in agribusiness, to promote inclusive and sustainable agricultural value chains with higher local value addition across a variety of products. This includes financing midstream processing plants and working capital requirements in Indonesia (coffee and cocoa); Papua New Guinea (coffee and cocoa); Timor-Leste (coffee); and Viet Nam (coffee, cashew, and pepper).

The project will also train approximately 13,000 smallholder coffee farmers in the same four countries on a variety of sustainability issues including strategies to deal with temperature rises and precipitation change, water harvesting and drip irrigation, integrated pest management, resources conservation, use of agricultural chemicals and organic inputs, and pollution control. The project will enable these smallholder farmers to improve their productivity, participate in global and regional agricultural value chains, and be better prepared to cope with risks stemming from climate change and environmental degradation.

Source: ADB Private Sector Operations Department.



Agribusiness financing and training. ADB support will train approximately 13,000 smallholder coffee farmers and promote inclusive and sustainable agricultural value chains in four countries (photo by ADB).

Strengthening Governance and Institutional Capacity

ADB helps strengthen the business environment for private sector development. Through a loan and technical assistance in 2018, ADB supported companies, including state-owned enterprises with good governance, to improve access to capital and performance of SMEs (Box 9).

Through the Trade Finance Program (TFP), ADB also helps DMCs adhere to fiduciary standards, implement anticorruption measures, and uphold environmental and social safeguards. In 2018, the TFP introduced automated screening processes to identify “red flag” transactions.

To strengthen the fight against crime and close unintended market gaps associated with those efforts, the TFP published in September 2018 a list of five persistent issues associated with the implementation of anti-money laundering (AML) and counter financing of terrorism (CFT) measures in the financial system, along with a diagnostic framework to address them. This Scorecard, TFP’s first “knowledge product” in this area, formed the basis of a meeting convened by TFP for the first quarter of 2019 between bank regulators and commercial banks to develop and implement solutions to the issues identified in the Scorecard.

Separately, but also as part of TFP’s AML–CFT Initiative, two AML and know-your-customer trainings in Istanbul and Singapore were conducted in September 2018. The trainings were attended by 85 banks and 169 representatives, of whom 37% were women.

Box 9

Mainstreaming Small and Medium-Sized Enterprise Lending Project—BIDV, Viet Nam

In November 2018, the Asian Development Bank (ADB) signed a \$200 million direct loan and \$100 million B loan with the Joint Stock Commercial Bank for Investment and Development of Vietnam (BIDV). BIDV is 95.3% state-owned through the State Bank of Vietnam, 4.7% is publicly listed, and the remaining 1.3% is held by foreign investors. In line with the government’s efforts to boost lending to this segment, lending to small and medium-sized enterprises (SMEs) is a strategic priority for BIDV. BIDV is the largest lender to SMEs in Viet Nam.

The project will support the growth of the SME sector by providing critically needed financial products to this underserved segment. The project will enhance access to long-term funding not readily available in Viet Nam, specifically for SMEs in rural areas and owned by women, for whom a portion of ADB’s financing will be earmarked.

ADB will also provide technical assistance to (i) strengthen BIDV’s risk management and environmental and social management systems, (ii) support investments in BIDV’s digital strategy, and (iii) collect gender-disaggregated data and design products catered to this important market segment.

Source: ADB Private Sector Operations Department.



Support for small and medium enterprises (SMEs). Through an ADB project, state-owned BIDV will enhance its lending to rural and women-owned SMEs (photo by ADB).

In December 2018, a workshop on identification and prevention of trade finance fraud was conducted for 10 banks in Myanmar including the Myanmar Financial Intelligence Unit.

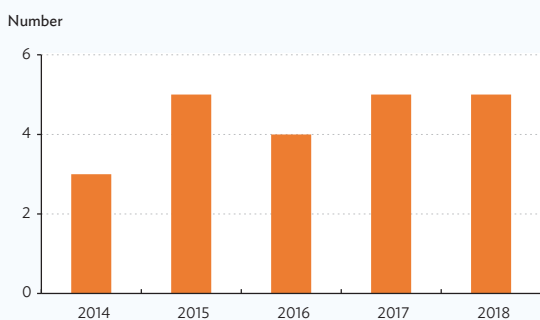
TFP is contributing to an industry-wide environmental and social safeguards initiative to develop standards for trade finance transactions. In the same Istanbul and Singapore events, training of DMC banks in environmental and social safeguards was also undertaken. The International Chamber of Commerce and ADB are piloting a process flow and a web-based tool for trade finance transactions to monitor environmental and social safeguard applications for agricultural commodity goods. The web platform will be publicly launched by the International Chamber of Commerce at its annual meeting in April in Beijing.

Fostering Regional Cooperation and Integration

ADB supports regional cooperation and integration by financing cross-border infrastructure projects and investments in companies that transfer technology and best practices among DMCs. In 2018, PSOD committed five regional cooperation and integration projects for \$515 million (Figure 15).

ADB supports regional integration through its TFP and Supply Chain Finance Program. Of the TFP's 4,476 transactions, 3,136 were within Asia and 1,167 were between ADB's DMCs (Box 10).

Figure 15: Regional Cooperation and Integration Projects Committed, 2014–2018



Source: ADB Private Sector Operations Department.

Box 10

Trade Finance Program and Supply Chain Finance Program—Asian Development Bank



A female worker at a textile factory in Dhaka. TFP and SCFP help reduce financing gaps in support of SME growth and job creation in developing Asia (photo by Abir Abdullah for ADB).

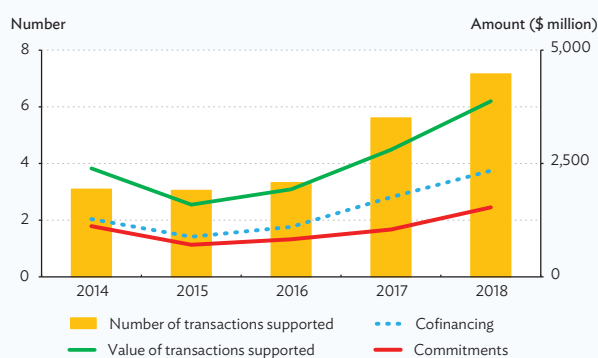
Through its Trade Finance Program (TFP), the Asian Development Bank (ADB) helps close market gaps for trade finance—estimated to be \$1.5 trillion globally—by providing banks with guarantees and loans to support cross-border trade. In 2018, the program supported 4,476 transactions valued at \$6.2 billion, with \$3.7 billion cofinanced by banks, private insurers, and official agencies. Of these 4,476 transactions, 3,475 supported small and medium-sized enterprises (SMEs) and 1,167 supported trade between developing member countries (DMCs). Among the 21 DMCs covered by the TFP, the most active were Armenia, Bangladesh, Mongolia, Pakistan, Sri Lanka, and Viet Nam. In 2018, ADB increased TFP's head room limit by \$350 million to \$1.35 billion to support growth and market demand for the program's guarantee and loan products.

In 2018, ADB continued to implement its Supply Chain Finance Program (SCFP). The program complements the TFP by assuming corporate risk (TFP only assumes bank risk) and developing both domestic and cross-border trade. In 2018, the program supported 530 transactions valued at \$217 million, with 50% cofinanced by partner financial institutions. Of the 530 transactions, 395 supported SMEs. In 2018, ADB increased the program limit by \$100 million to \$300 million to help reduce SME financing gaps and continue ADB's support for SME growth in DMCs.

Source: ADB Private Sector Operations Department.

Figure 16 shows TFP growth in business and development. The TFP supported 4,476 trade transactions (3,505 in 2017) valued at \$6.2 billion (\$4.5 billion in 2017), a 38% increase. Of the \$6.2 billion trade supported, \$3.7 billion was cofinanced (\$2.8 billion in 2017), and \$2.5 billion was for ADB's own account (commitments).

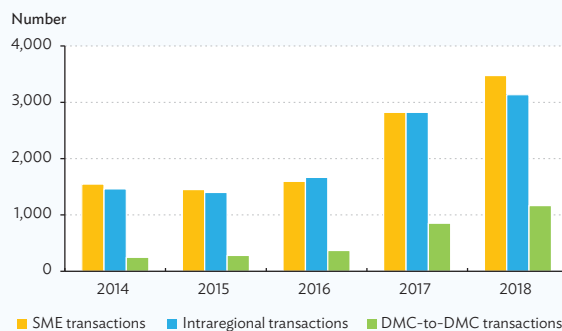
Figure 16: Value and Number of Transactions Supported by the Trade Finance Program, Cofinancing, and Commitments, 2014–2018



ADB = Asian Development Bank, TFP = Trade Finance Program.
 Note: Value of transactions supported, i.e., the sum of cofinancing and commitments, pertains to the value of underlying trade transactions facilitated through the TFP. Commitments pertain to guaranteed and/or disbursed amounts of exposure retained by ADB that are not cofinanced.
 Source: ADB Private Sector Operations Department.

Figure 17 shows a significant contribution from the TFP for SMEs and intraregional trade. Of the 4,476 transactions supported in 2018, transactions involving SMEs rose 23% to 3,475 (versus 2,822 in 2017). Intraregional trade recorded 3,136 transactions (2,821 in 2017); and transactions for trade between DMCs numbered 1,167 (853 in 2017).

Figure 17: Trade Finance Program Transactions Supported, 2014–2018



DMC = developing member country, SMEs = small and medium-sized enterprises.
 Source: ADB Private Sector Operations Department.



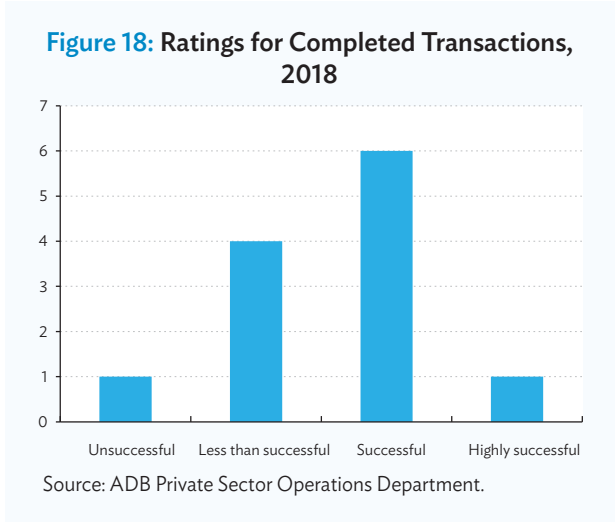
POST-COMPLETION EVALUATION OF TRANSACTIONS

Coffee quality testing at the Café Outspan coffee factory in Viet Nam. ADB is financing midstream processing plants and working capital requirements aimed at higher local value addition (photo by Olam International).

At the time of project completion, PSOD prepares extended annual review reports (XARRs) for transactions. These XARRs evaluate the success of transactions based on the development results achieved, investment profitability, work quality, and additionality. These findings are validated by ADB’s Independent Evaluation Department (IED).

The XARRs prepared in 2018 cover 12 completed transactions approved from 2004 to 2015. Seven of these were rated *successful* or *highly successful* (Figure 18).

Of the five *less than successful* or *unsuccessful* projects, four were private equity funds approved from 2004 to 2006. These funds were affected by a set of external factors, including the global 2008 financial crisis, regulatory uncertainties, low liquidity in the market,



and currency depreciation. Internal factors included team composition and lack of expertise, legal matters, and resultant capital loss from investments.

Awards Received by ADB, Its Investees, and Transactions



Asian
Development
Bank



Awards 2018

IJGlobal Awards
**Asia-Pacific Development
Finance Institution of the Year**



Trade Finance
Program
(Regional)



Global Trade Review
Best Development Bank in Trade 2018



Rantau Dedap
Geothermal
Power Project
(Phase 2)
(Indonesia)



Awards 2018

IJGlobal Awards
Geothermal Deal of the Year



Southern
Thailand
Waste-to-Energy
Project
(Thailand)



Awards 2018

IJGlobal Awards
Biomass Deal of the Year



Jawa-1 Liquefied
Natural
Gas-to-Power
Project
(Indonesia)



Awards 2018

IJGlobal Awards
Power (Gas) Deal of the Year



Green Bonds
Project
(Thailand)



Climate Bonds Initiative
Leader in Green Finance Award




Jawa-1 Liquefied
Natural
Gas-to-Power
Project
(Indonesia)



Project Finance International
Power Deal of the Year

Measuring ADB's Private Sector Operations Contributions to the Sustainable Development Goals

SDG	Indicators	ADB Results as of 2018
	Number of people employed	313,308
	MSME beneficiaries	6.8 million
	Female MSME beneficiaries	5.3 million
	Number of SMEs supported	45,126
	SME loans disbursed (\$)	4.7 million
	Farmers reached	1.5 million
	Female farmers reached	2,782
	Agricultural production (tons)	1.4 million
	Area cultivated (hectares)	4,016
	Patients served	5.9 million
	Students reached	9,455
	Female MSME beneficiaries	5.3 million
	Female employment	72,947
	Households with access to water	353,280
	Potable water produced (m ³)	25.1 million
	Wastewater treated (m ³)	157.6 million
	Households with access to energy	27,425
	Power delivered (GWh)	36,875
	People trained	322,303
	Number of people employed	313,309
	Volume of cargo processed and/or transported (tons)	216.0 million
	Passengers reached	9.9 million
	Households with access to energy	27,425
	Households with access to water	353,280
	Potable water produced (m ³)	25.1 million
	Wastewater treated (m ³)	157.6 million
	Passengers reached	9.9 million
	CO ₂ emission reduced (tCO ₂ e)	11.4 million
	Payment to government (\$)	2.9 billion
	Domestic purchases (\$)	3.9 billion

Development Effectiveness Report 2018

Private Sector Operations

The Asian Development Bank (ADB) is working with the private sector in Asia and the Pacific to help the region achieve a prosperous, inclusive, resilient, and sustainable future. This report presents investments made through ADB's Private Sector Operations Department (PSOD) and assesses contributions to each of the operational priorities under ADB's Strategy 2030 and the Sustainable Development Goals. PSOD achieved a record \$3.1 billion in private sector commitments in 2018, from \$2.3 billion in 2017. Under Strategy 2030, ADB will expand its private sector operations to reach one-third of its total operations in number by 2024.

About the Asian Development Bank

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



ASIAN DEVELOPMENT BANK

6 ADB Avenue, Mandaluyong City

1550 Metro Manila, Philippines

www.adb.org