

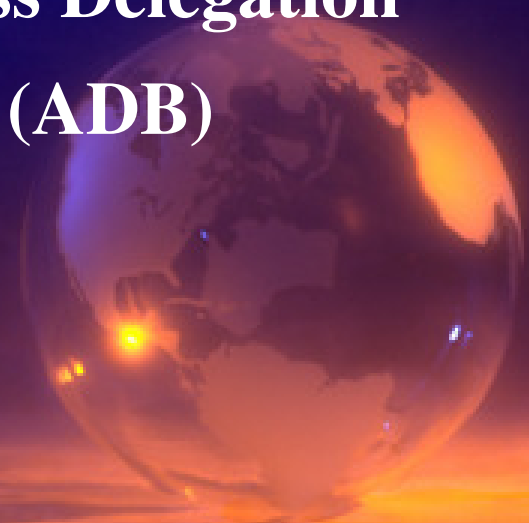
PRIVATE SECTOR FINANCING VISION, VALUES AND STRATEGY

**Presentation to Spanish Business Delegation
Asian Development Bank (ADB)**

Robert Bestani

Director General - Private Sector Finance

November 7, 2007



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PRIVATE SECTOR DEVELOPMENT

**PRIVATE SECTOR DEVELOPMENT IS
FUNDAMENTALLY EMBEDDED IN
ALL OF OUR ACTIVITIES**



PRIVATE SECTOR DEVELOPMENT

- **How are private sector operations related to the fundamental mission of the ADB?**
 - **How does PSOD relate to the public sector of ADB?**
 - **How do we encourage the private sector to become more engaged with our mission?**
 - **How is the PSOD different from the other MDBs?**
- 

PRIVATE SECTOR DEVELOPMENT

Poverty Reduction Strategy

- Tiny (>.09%) references to Private Sector
- Very supportive

Private Sector Development Strategy

- Core Role of PSOD



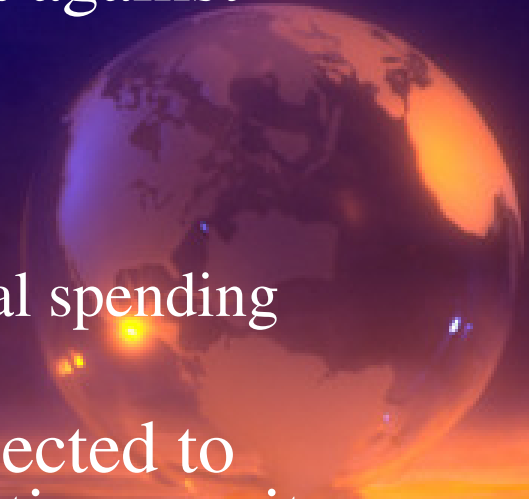
PRIVATE SECTOR DEVELOPMENT

ADB's 2000 PRIVATE SECTOR DEVELOPMENT STRATEGY

“The Asian experience shows that growth is the most powerful weapon in the fight against poverty.”

- JOBS
- Increases the tax base
- Frees the government to do social spending


“The Private Sector cannot be expected to undertake extensive poverty reductions on its own.”



PRIVATE SECTOR DEVELOPMENT


UNDP : Why is the private sector so important in alleviating poverty?

The private sector can alleviate poverty by:

- Contributing to economic growth - JOBS
 - Empowering poor people by providing them with services and products, increasing choices and reducing prices – Quality of Life
- 

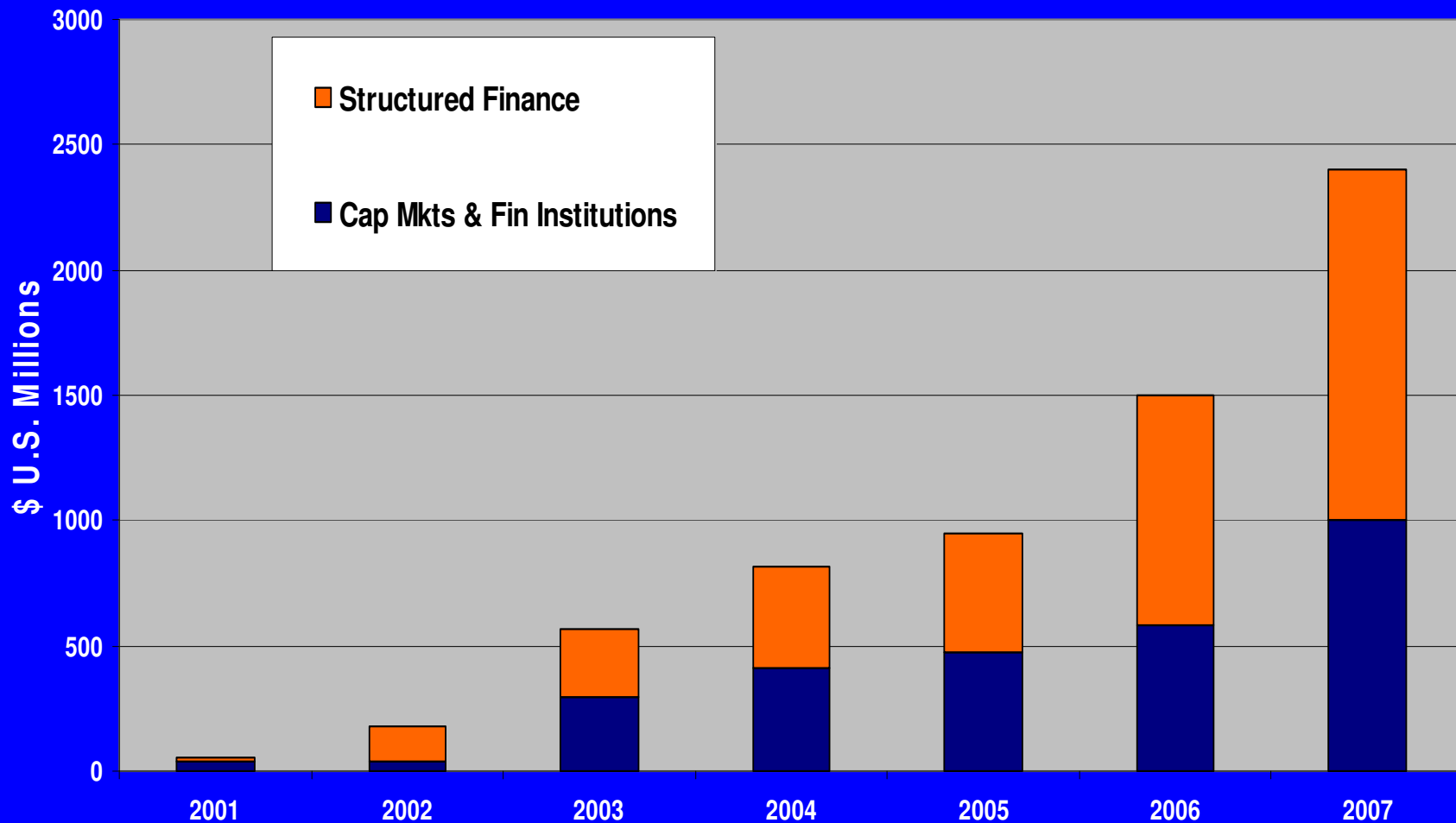
PRIVATE SECTOR DEVELOPMENT

ADB's 2000 PRIVATE SECTOR DEVELOPMENT STRATEGY

- PSOD to do discrete transactions
 - Public sector seeks out private sector regulatory reforms
 - Public sector looks for private sector opportunities in public sector projects
- 

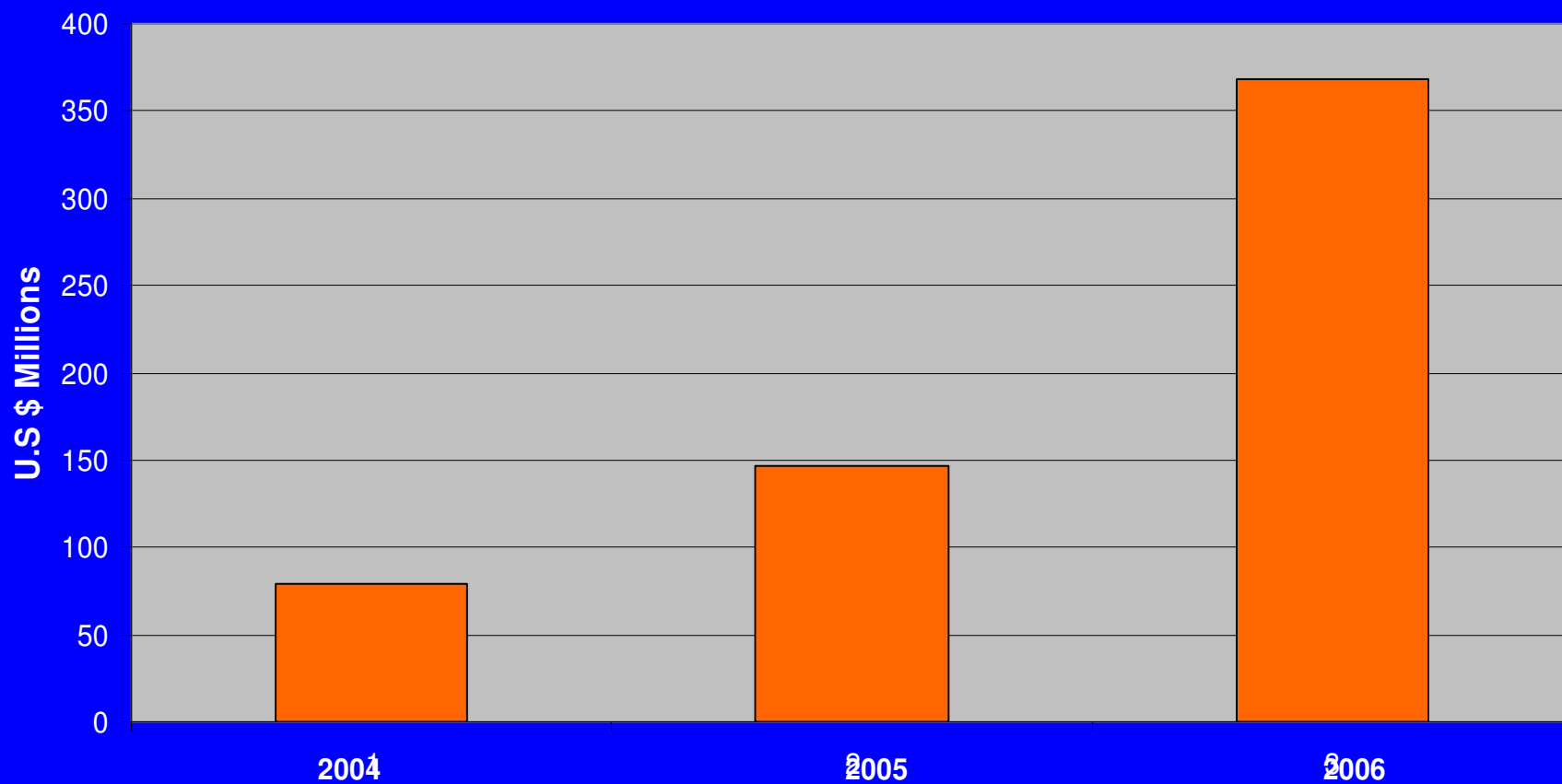
PRIVATE SECTOR FINANCINGS 2001 THRU 2006

PRIVATE SECTOR - TOTAL FINANCING ACTIVITY



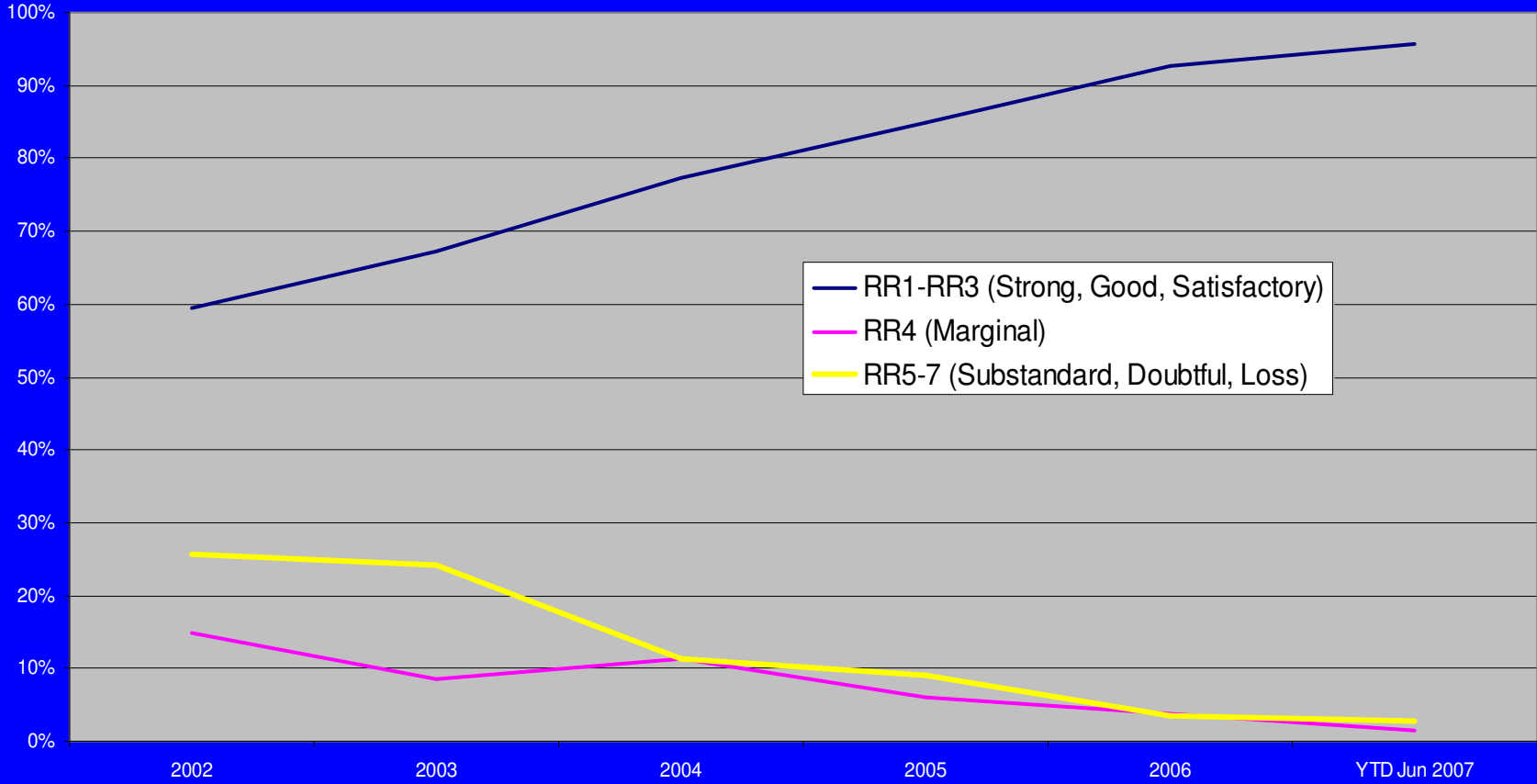
ADB PRIVATE SECTOR FINANCE

ADB's Private Sector Earnings



PORTFOLIO QUALITY – 2002 THRU 2007

Outstanding Portfolio Balances
(% of Total Portfolio)



PRIVATE SECTOR DEVELOPMENT

The ADB Private Sector is Being Very Successful At a Time When:

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

WHY?

PRIVATE SECTOR DEVELOPMENT

Why Does Private Sector Come To ADB?

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

In short - no preferred terms

PRIVATE SECTOR DEVELOPMENT

Important Factors

- Asian institution
- “One stop shopping”
- Decision making in region

THESE ARE NOT UNIQUE ADVANTAGES



PRIVATE SECTOR DEVELOPMENT

ADB is an attractive partner in transactions

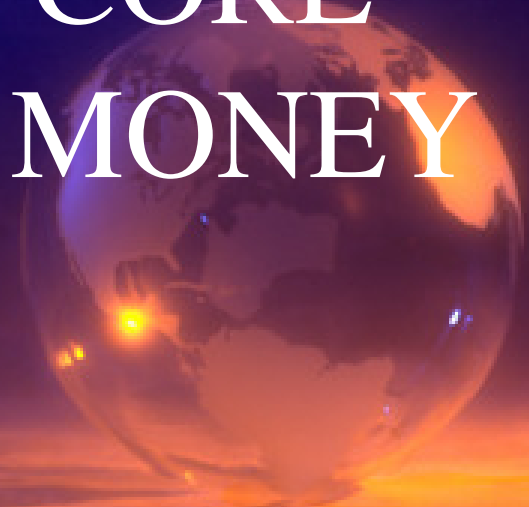
- “If ADB is in, we are in; if ADB is out we are out”
- “The first dollar is the hardest to get; ADB is often the needed catalyst”

WHAT IS OUR CORE
PRODUCT ??




WHAT IS OUR CORE
PRODUCT ??

AS A BANK OUR CORE
PRODUCT IS NOT MONEY



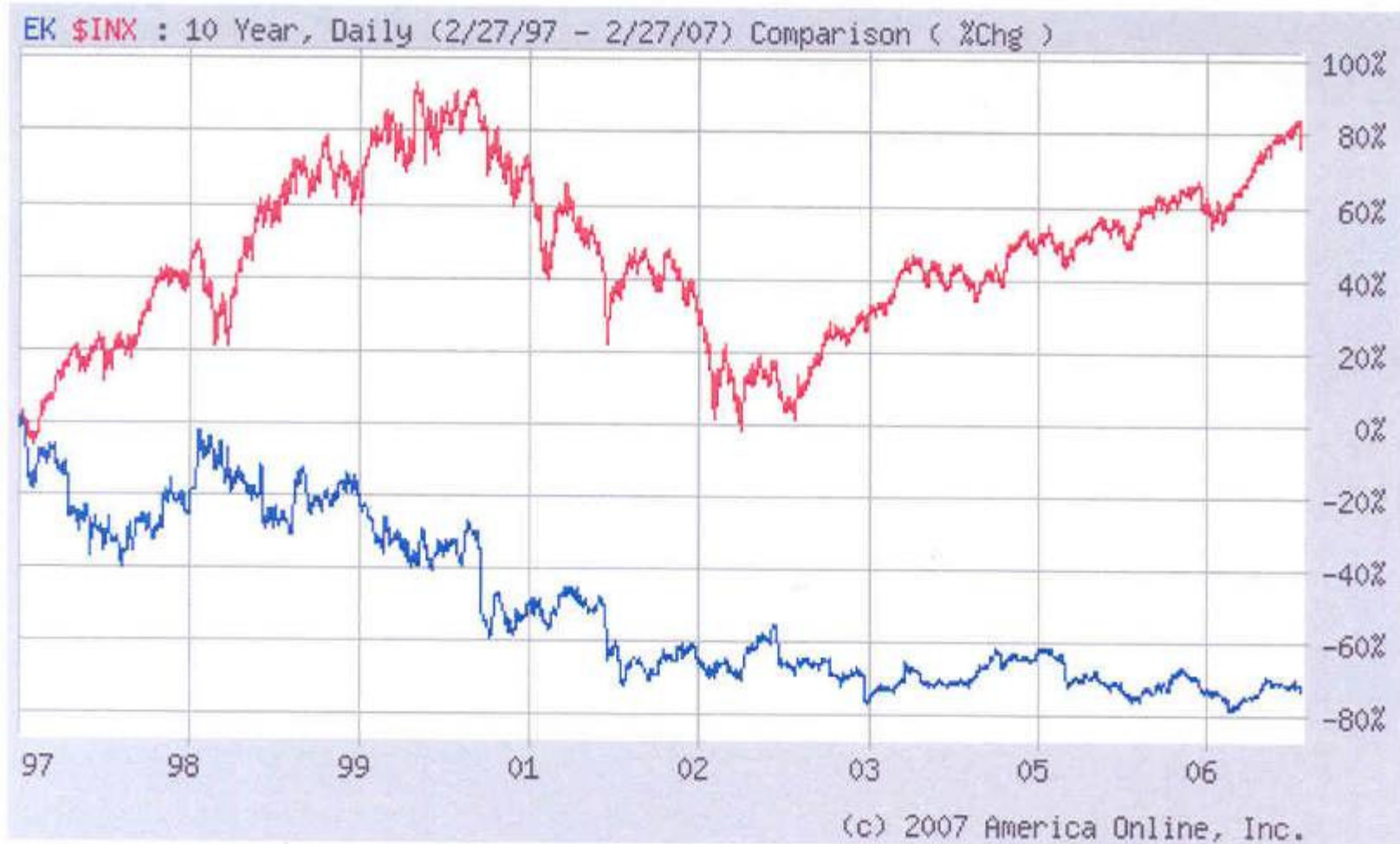
PRIVATE SECTOR FINANCE

- Debt
 - Equity
 - Mezzanine
 - Guarantees
 - Long term, fixed rate, local currency
 - Political risk insurance
- 

MONEY IS NOT OUR CORE PRODUCT

- \$4 Trillion - \$7 Trillion in surplus funds
 - Global surplus of funds over investment opportunities
 - Advent of the capital markets
 - Savings Rate in the DMCs higher than the donor countries
 - The “Financing Gap” theory of development is very dated
- 

EASTMAN KODAK – SHARE PRICE 1997 - 2007



PRIVATE SECTOR DEVELOPMENT

STRATEGY → INSTRUMENTS

STRATEGY ← INSTRUMENTS



PRIVATE SECTOR DEVELOPMENT

STRATEGY → INSTRUMENTS

~~STRATEGY → INSTRUMENTS~~



PRIVATE SECTOR DEVELOPMENT

WHAT IS ADB'S REAL "PRODUCT"?

- Risk Mitigation
- Regulatory Dialogue
- Technical Expertise

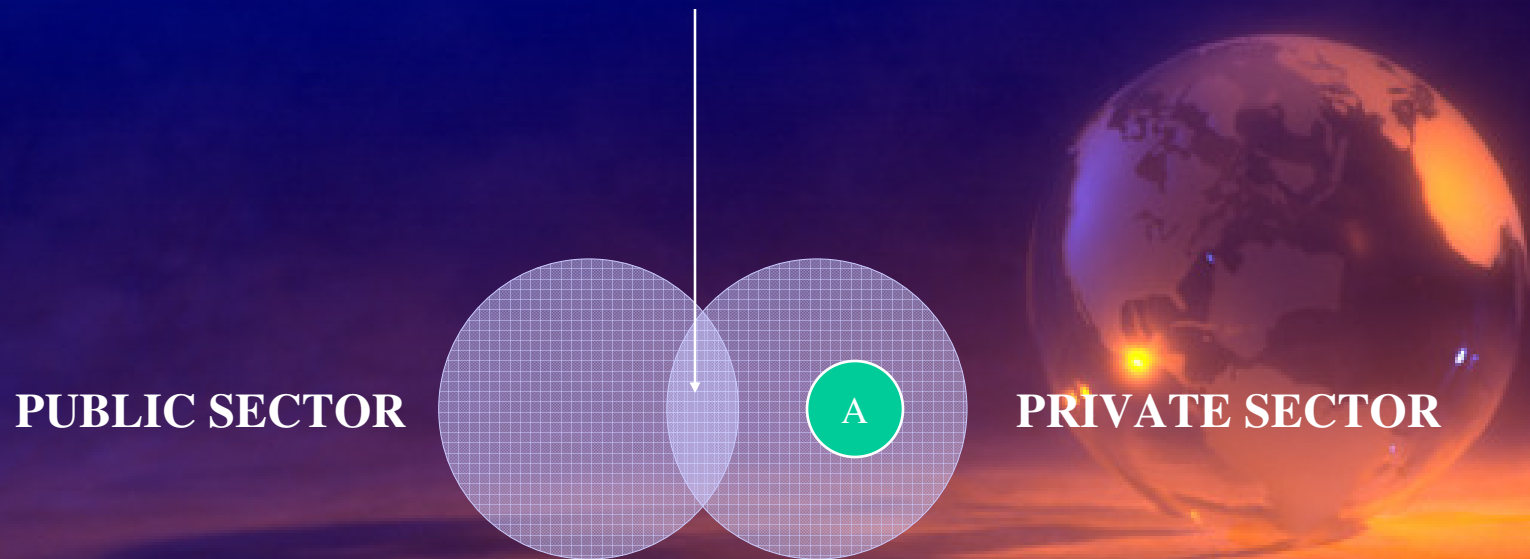
ADB is uniquely positioned in these products



PRIVATE SECTOR DEPARTMENT

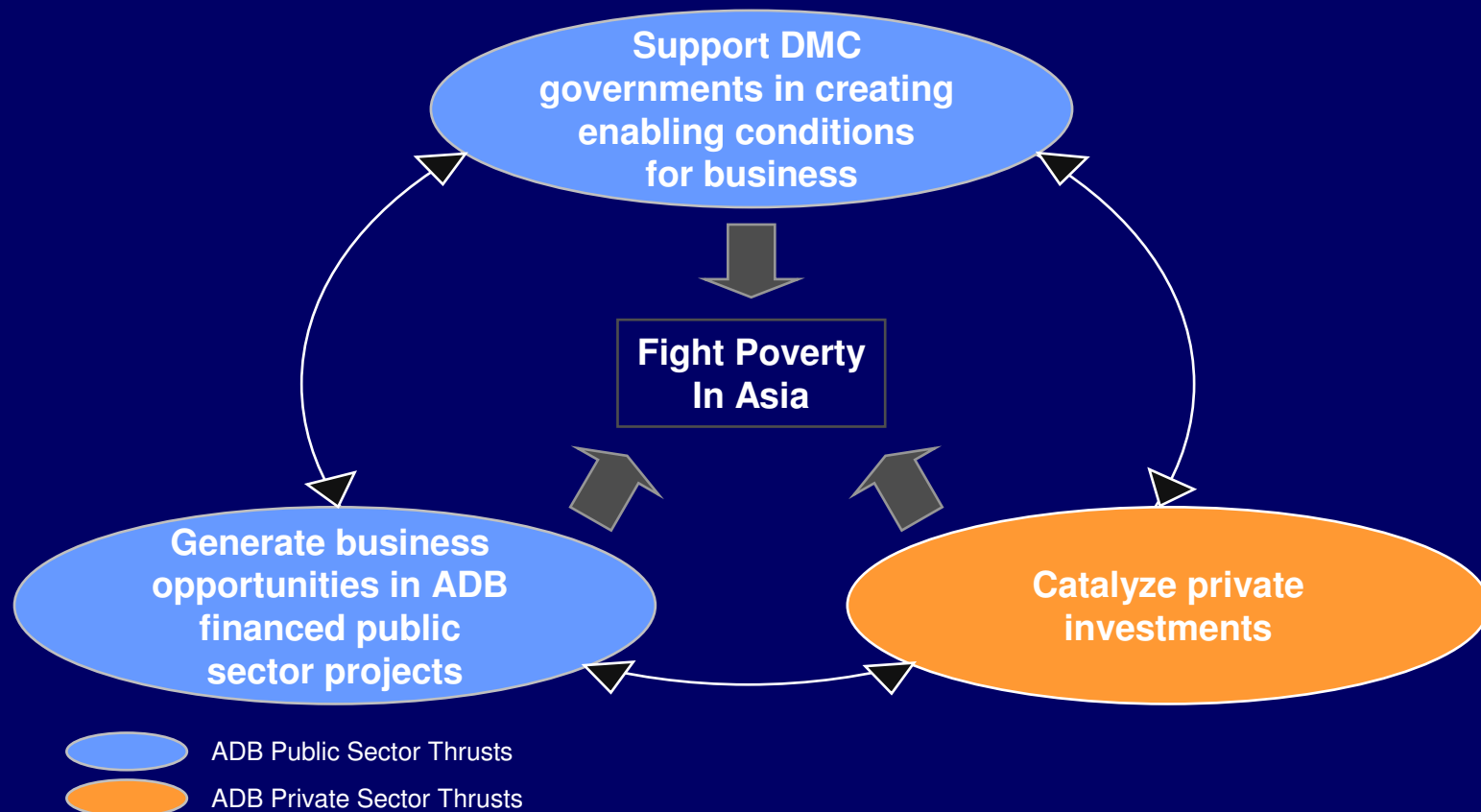
PSD'S ROLE

PSD'S CORE MARKET NICHE



PRIVATE SECTOR DEVELOPMENT

ADB Strategic Thrusts ⁽¹⁾

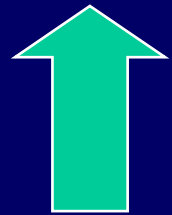


1) Source: Private Sector Development Strategy, March 2000.

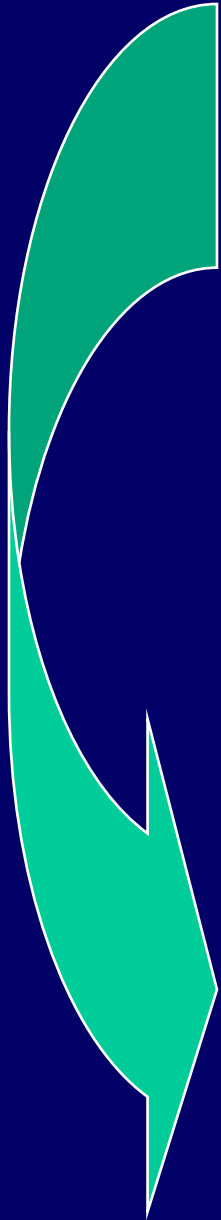
PUBLIC SECTOR
Government Dialogue



Private Sector Development



PRIVATE SECTOR
On the Ground Experience



PRIVATE SECTOR DEVELOPMENT



Public – Private
Partnership is the
Key Advantage
of the ADB

It is the
Fundamental Key
to Our Success

PRIVATE SECTOR DEVELOPMENT

CORE OPERATIONS

Infrastructure

- Power
- Water
- Telecom
- Ports
- Roads
- Municipal Finance
- SOEs

Financial Services

- Investment Funds
 - Trade Finance
 - Housing
 - SME Finance
 - Restructuring
 - Payment Systems
- 

FUTURE ROLE OF THE MDBs

- Less as old fashioned commercial banks
 - More as investment catalysts (intermediaries)
 - More PUBLIC PRIVATE PARTNERSHIP
 - More private sector orientation
 - More technical/knowledge banks
- 

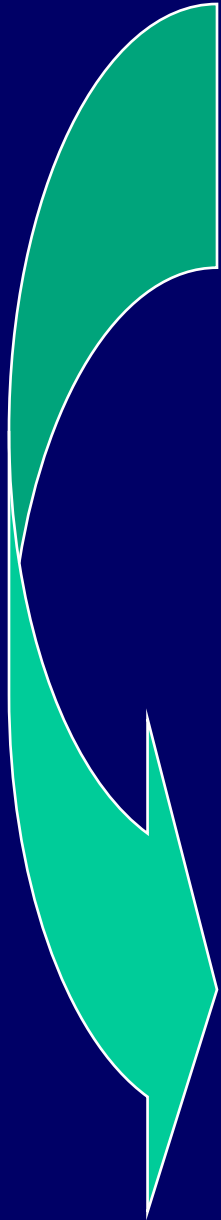
PUBLIC SECTOR
Government Dialogue



Private Sector Development

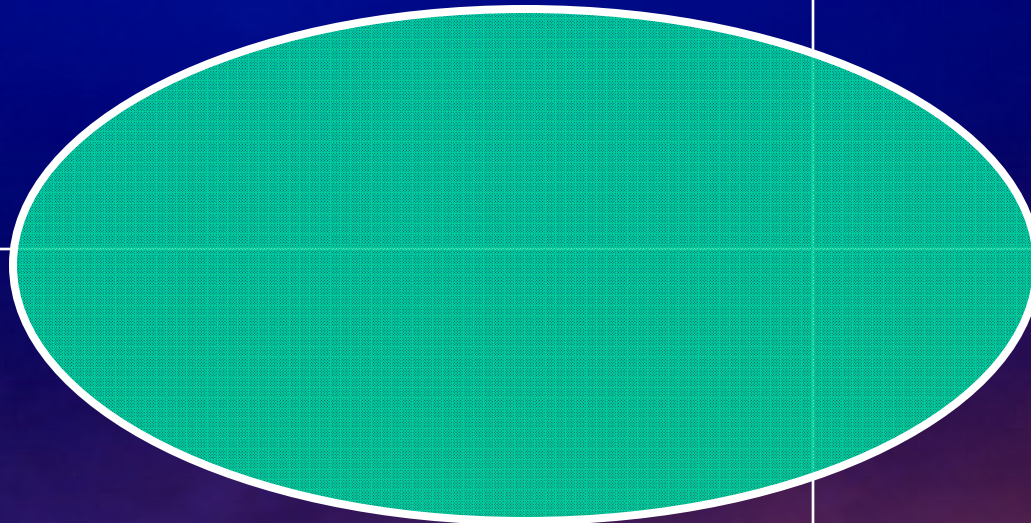


PRIVATE SECTOR
On the Ground Experience



SUPPLY OF FUNDS

DEMAND FOR FUNDS



Financial Intermediation

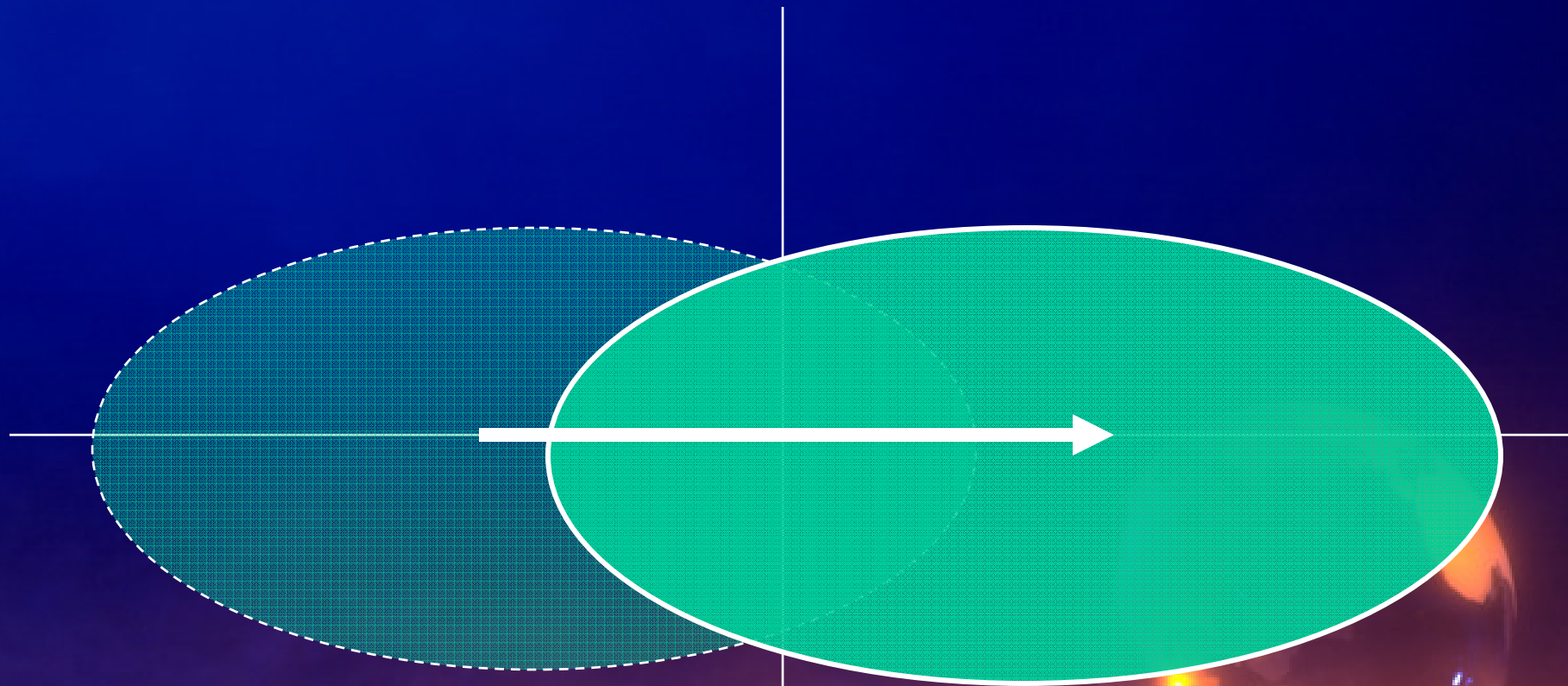
“Financing Gap”



Technical Assistance
Risk Mitigation
Good Governance
Environmental Soundness
Public Private Partnership

SUPPLY OF FUNDS

DEMAND FOR FUNDS



Financial Intermediation

“Financing Gap”

- Technical Assistance
- Risk Mitigation
- Good Governance
- Environmental Soundness
- Public Private Partnership

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ADB's Business Model

Spreads Over Libor

