

# ASIAN DEVELOPMENT BANK

## PRIVATE SECTOR OPERATIONS

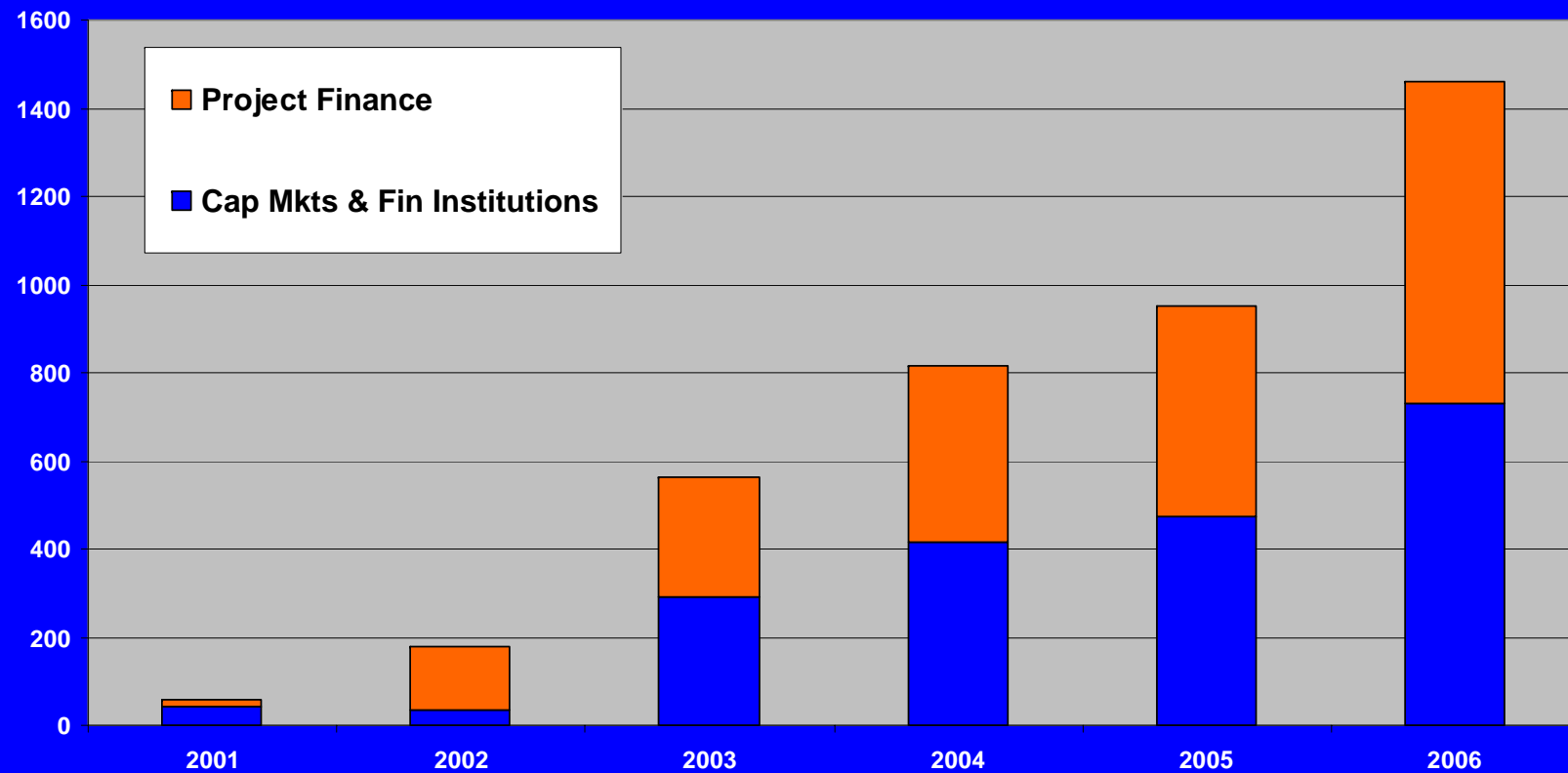
### ROLE AND DEVELOPMENT RESPONSIBILITIES

September 14, 2006

A glowing globe of the Earth is positioned on the right side of the slide. The globe is illuminated from the right, creating a bright orange and yellow glow that extends across the bottom of the slide. The background is a dark blue gradient with a subtle sunset or sunrise light effect at the bottom.

# PRIVATE SECTOR FINANCINGS

## PRIVATE SECTOR - TOTAL FINANCING ACTIVITY



# PRIVATE SECTOR DEVELOPMENT

**HOW ARE PRIVATE SECTOR  
OPERATIONS RELATED TO THE  
MISSION OF THE ADB?**



# PRIVATE SECTOR DEVELOPMENT

## Poverty Reduction Strategy

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

## Private Sector Development Strategy

- Core Role of PSOD



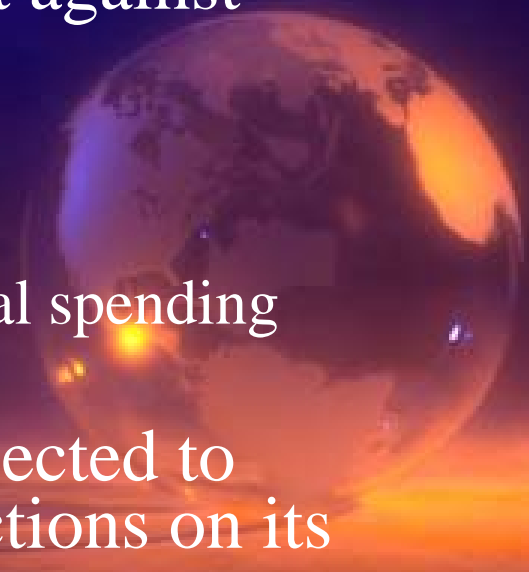
# PRIVATE SECTOR DEVELOPMENT

## 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

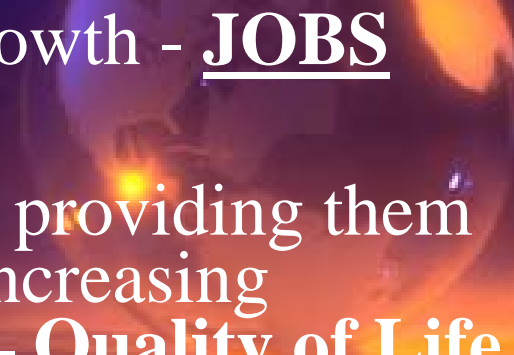
“The Private Sector cannot be expected to undertake extensive poverty reductions on its own.”



# 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

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




# 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 DEVELOPMENT

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# PRIVATE SECTOR DEVELOPMENT

## ADB's 2000 PRIVATE SECTOR DEVELOPMENT STRATEGY

- *PSOD to do discrete transactions*
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# PRIVATE SECTOR DEVELOPMENT

The PSOD has been Very Successful  
At a Time When:

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

WHY?



# PRIVATE SECTOR DEVELOPMENT

ADB is an attractive partner in transactions

➤ “If ADB is in, we are in; if ADB is out we are out”

- Catalytic Effect

➤ “The first dollar is the hardest to get; ADB is often the needed catalyst”

- Lighthouse Effect



# 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

WHAT IS PSOD'S REAL "PRODUCT"?

**NOT MONEY!**

- \$4 Trillion - \$7 Trillion in Surplus Funds
- Advent of the Capital Markets




# WHAT IS OUR PRODUCT?

## EASTMAN KODAK



# PRIVATE SECTOR FINANCE

- Debt
  - Equity
  - Mezzanine
  - Guarantees
  - Long term, fixed rate, local currency
  - Political risk insurance
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- A glowing globe of the Earth is positioned on the right side of the slide. The globe is illuminated from the right, creating a bright orange and yellow glow that extends across the bottom of the slide. The background is a dark blue gradient, suggesting a night sky or a deep blue ocean.

# PRIVATE SECTOR DEVELOPMENT

## WHAT IS PSOD'S REAL "PRODUCT"?

- Risk Mitigation
- Regulatory Dialogue
- Knowledge Transfer – expertise

**ADB is uniquely positioned in these products**



# PRIVATE SECTOR DEVELOPMENT

ADB's participation affords a measure of support from governmental interference

- ✓ **Power Project – Country X**
- ✓ **BP in Indonesia**

Value system “certifies” projects on issues of environmental protection, good governance, etc.


- ✓ **BLCP in Thailand**

**ADB'S PUBLIC SECTOR TIES ACROSS ASIA IS THE KEY**




# PRIVATE SECTOR DEVELOPMENT

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# PRIVATE SECTOR DEVELOPMENT

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# PRIVATE SECTOR DEVELOPMENT

PSOD projects benefited by ADB supported regulatory reform

- India - India Mortgage Guarantee Corp.
  - PRC - Chengdu Water Supply Project
  - Vietnam – FSPL II
  - Bangladesh – Lafarge Surma Cement Project
- 
- A glowing globe of the Earth is positioned on the right side of the slide. The globe is semi-transparent and shows the continents. It is set against a background of a sunset or sunrise, with a bright orange and yellow glow at the bottom and a dark blue sky above. The globe appears to be resting on a reflective surface, creating a subtle reflection below it.


# PRIVATE SECTOR DEVELOPMENT

## ADB's 2000 PRIVATE SECTOR DEVELOPMENT STRATEGY

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# PRIVATE SECTOR DEVELOPMENT

## PSOD projects originated by Public Sector

- Mongolia - Trade and Development Bank
  - India – Dahej Liquefied Natural Gas Terminal
  - India – Tala Delhi Transmission Project
  - Pakistan – SME Guarantee Facility
  - Bangladesh – AES Meghnaghat Power Project
  - PRC – Chendu Water Supply Project
  - India - LNG Petronet
- 


# PRIVATE SECTOR DEVELOPMENT

## CORE OPERATIONS

### Infrastructure

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

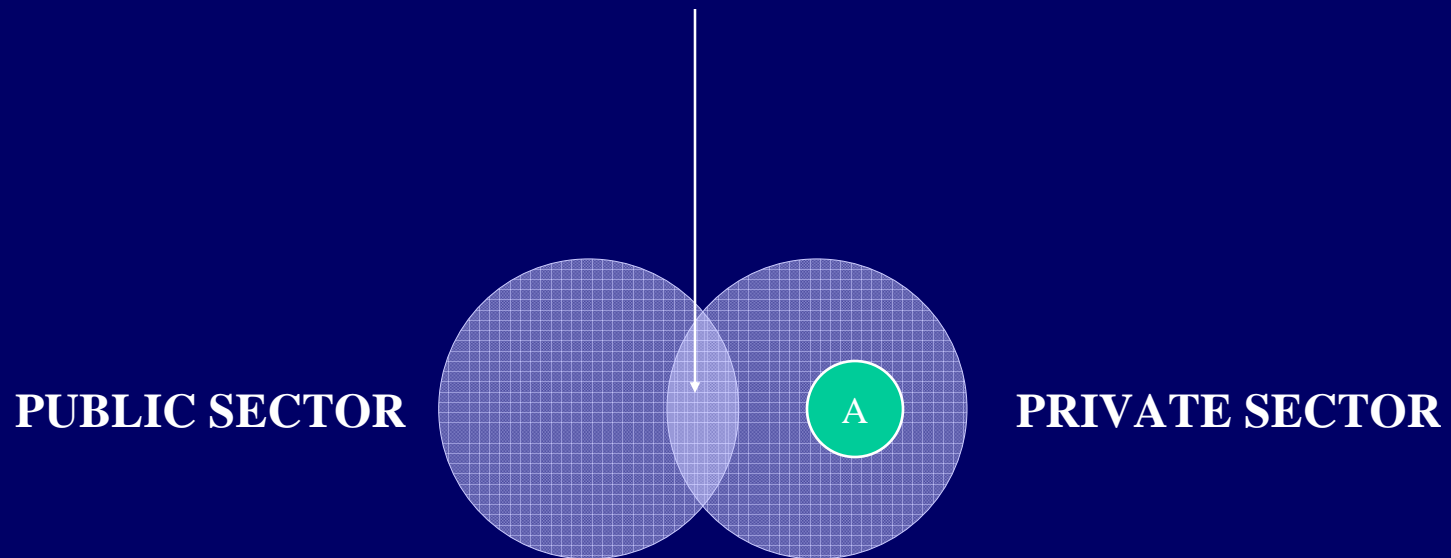
### Financial Services

- Trade Finance
  - Housing
  - SME Finance
  - Restructuring
  - Asian Automated Payment System
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# PRIVATE SECTOR DEVELOPMENT

## PSOD'S ROLE

### PSOD'S CORE MARKET NICHE




# PRIVATE SECTOR DEVELOPMENT

## WHAT IS PSOD'S REAL "PRODUCT"?

- Risk Mitigation
- Private Sector Development
- Knowledge Transfer

**ADB is Uniquely Positioned in  
These Products**



# PRIVATE SECTOR DEVELOPMENT

## WHAT IS PSOD'S REAL "PRODUCT"?

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- Private Sector Development
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**Public Private Partnership Is The Key**



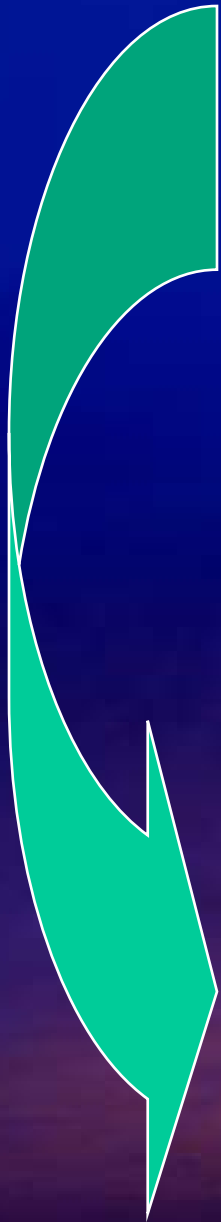
**PUBLIC SECTOR**  
Government Dialogue



**Private Sector Development**



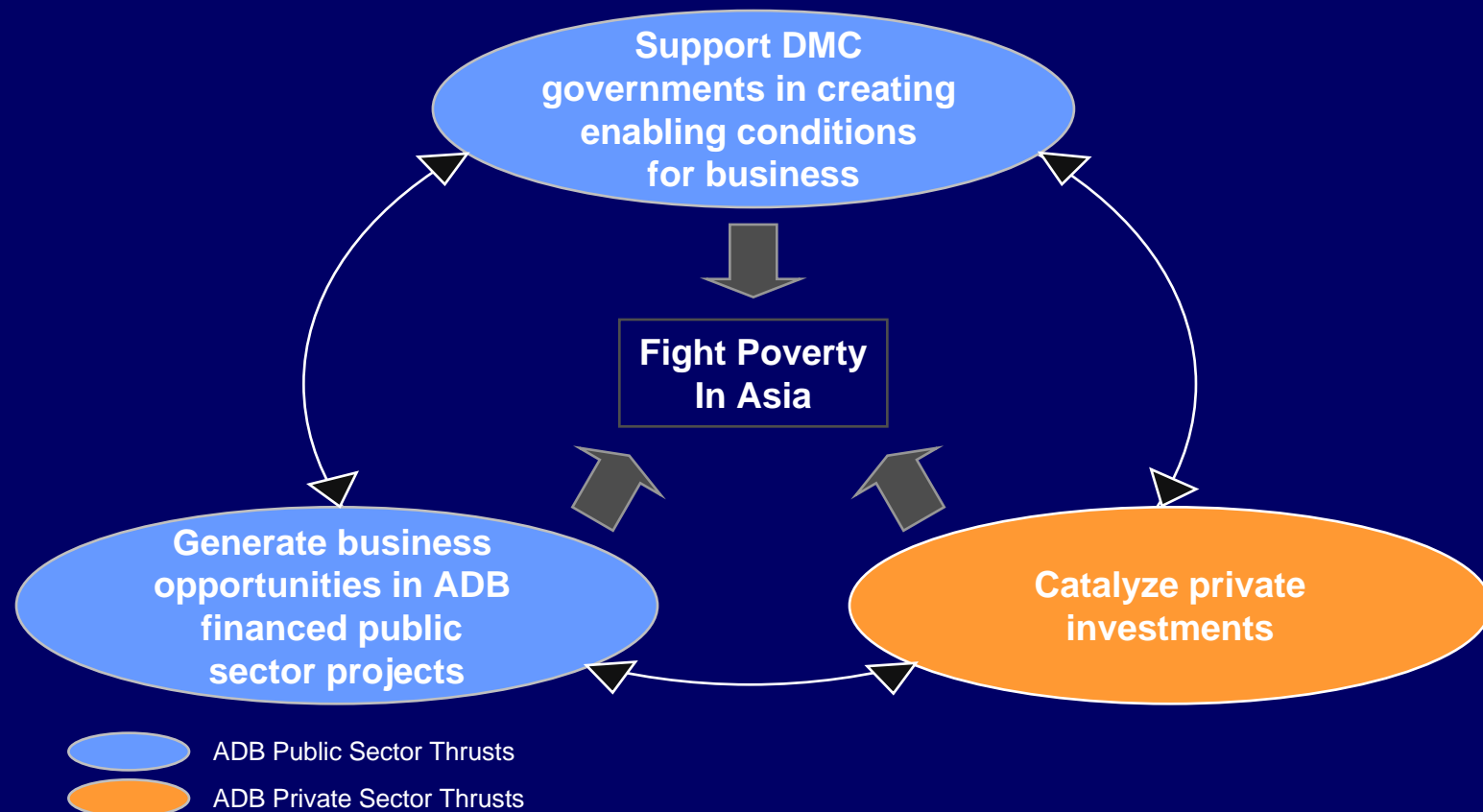
**PRIVATE SECTOR**  
On the Ground Experience



# PRIVATE SECTOR DEVELOPMENT

## ADB Strategic Thrusts <sup>(1)</sup>

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

# PRIVATE SECTOR DEVELOPMENT



Public – Private  
Partnership is the  
Key Advantage  
of the ADB

It is the  
Fundamental Key  
to Our Success

# PRIVATE SECTOR DEVELOPMENT

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**ASIAN DEVELOPMENT BANK**

**PRIVATE SECTOR OPERATIONS**

**ROLE AND DEVELOPMENT  
RESPONSIBILITIES**

September 14, 2006

