

Orientation Program for DMC Officials

Private Sector Development: Private Sector Financing Modalities and Capital Market Transactions

**Private Sector Operations Department
20 October 2008**

Agenda

- ❖ Opening Remarks
- ❖ Private Sector Financing Products
- ❖ Cases
 - Capital Market and Financial Sector (PSCM)
 - Infrastructure Finance - Region 1 (PSIF1)
 - Infrastructure Finance - Region 2 (PSIF2)
- ❖ Q & A

Opening Remarks

ADB Private Sector Operations

- ❖ 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
- ❖ No host country guarantee is required
- ❖ Shares project risks with private sector investors and financiers with no host country guarantee required

ADB Added Value

"ADB is able to serve the role of a catalyst—creating an investment climate conducive to private sector development by facilitating investment and exerting influence on policy"

- ❖ Risk Mitigation
ADB's presence in the transaction- instant credibility
- ❖ Regulatory Reform Advocacy and Dialogue
The 'Honest Broker'- Dialogue with host governments in support of regulatory reforms and change
- ❖ Leverage & Reputation
Decades of experience in the region and extensive relationships with, and access to Governments and international market participants

Private Sector Financing 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
- ❖ Complementary Financing Scheme
 - 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

Complementary Financing Scheme

- ❖ CFS (or 'B Loan') are 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

Private Sector Capital Markets and Financial Sectors Division (PSCM)

PSCM Overview

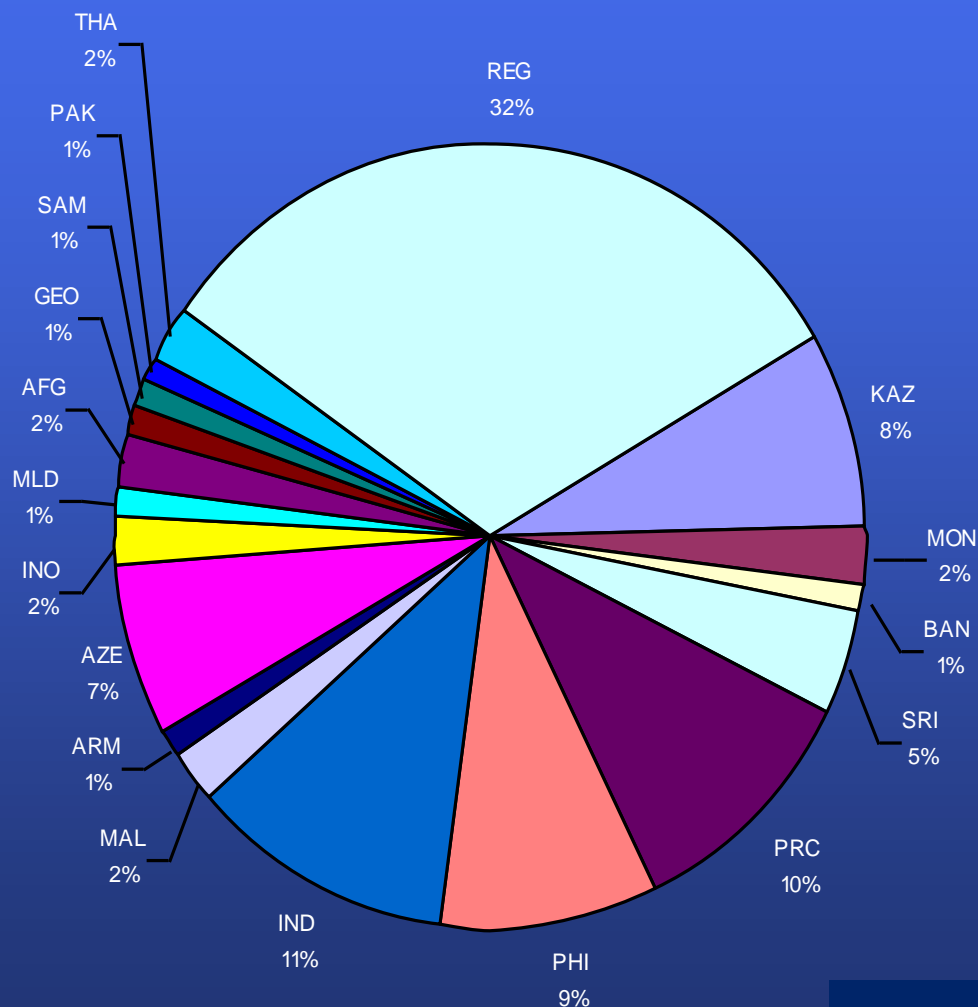
- ❖ ADB's poverty reduction strategy stresses that without a strong financial sector progress toward economic development, and therefore poverty reduction, is difficult.
- ❖ A healthy financial sector contributes to sustainable economic growth and, ultimately, to poverty reduction.
- ❖ The financial sector connects savers and users of capital and, therefore, functions as the nervous system for the world's economic activities.
- ❖ But: large sectors of ADB's member countries can not be reached directly by our private sector operations. Economically crucial areas with high developmental importance, such as housing, small and medium enterprises, microfinance, and others, are therefore best addressed through cooperation with local financial institutions.

PSCM Themes and Products

- ❖ PSCM's target areas for transactions are based on ADB's strategy orientation, above all the Poverty Reduction Strategy, and the Long Term Strategic Framework.
- ❖ Transaction themes include small and medium enterprises (SMEs), microcredit, leasing, housing, trade finance, capital markets and securitization, credit risk and corporate governance (including combating money laundering and corruption), nonperforming loan resolution, infrastructure, and environment.
- ❖ Products to deliver these transactions are determined within the framework of each member country's market conditions.
- ❖ PSCM's main product areas are equity, debt, guarantees, and grant-based technical assistance. Indirectly, we also deliver advisory and knowledge-sharing to target clients.

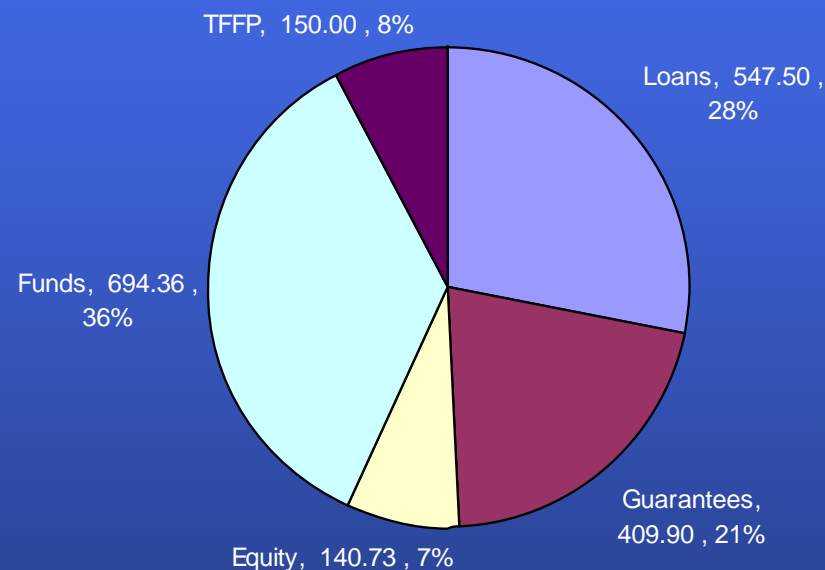
PSCM's Portfolio by Countries

DMC	No. of Projects	FI's	Funds/ Private Equity	TFFP
KAZ	7	7		
MON	2	2		
BAN	1	1		
SRI	4	4		
PRC	9	4	5	
PHI	8	5	3	
IND	10	2	8	
MAL	2	2		
ARM	1	1		
AZE	6	6		
INO	2	2		
MLD	1	1		
AFG	2	2		
GEO	1	1		
SAM	1		1	
PAK	1		1	
THA	2		2	
REG	28	1	25	2
Total	88	41	45	2



PSCM's Portfolio by Product

Type	Amount (USD million)	Count
Loan	547.5*	23
Guarantees	409.90	6
Equity	140.73**	18
Funds	694.36	40
TFFP	150.00**	1
Total	1,104.26	88



*Excludes B-Loan on \$225 million

**Includes equity investments in 5 Fund Managers

***TFFP loans of \$45 million and guarantees of \$105 million

Active Portfolio Companies by Investee Country

31 December 2007

Country	Number of Investees	Remaining Investment at Cost		Remaining Investment Valuation	
		(in \$, million)	(%)	(in \$, million)	(%)
India	67	76.51	36.83%	91.92	34.55%
China, People's Republic of	49	70.51	33.94%	101.87	38.29%
Thailand	24	17.42	8.39%	26.53	9.97%
Indonesia	10	11.83	5.70%	7.72	2.90%
Philippines	16	11.78	5.67%	13.44	5.05%
Vietnam	16	8.47	4.08%	13.74	5.16%
Korea, Rep. of	2	7.03	3.38%	3.26	1.23%
Bangladesh	2	1.34	0.64%	3.88	1.46%
Singapore	1	0.99	0.48%	0.99	0.37%
Mongolia	1	0.32	0.15%	0.54	0.20%
Papua New Guinea	2	0.28	0.14%	0.28	0.11%
Tajikistan	1	0.28	0.13%	0.41	0.15%
Sri Lanka	1	0.27	0.13%	0.49	0.18%
Cambodia	1	0.25	0.12%	0.31	0.12%
Afghanistan	1	0.20	0.10%	0.20	0.08%
Malaysia	1	0.15	0.07%	0.21	0.08%
Fiji Islands	2	0.12	0.06%	0.22	0.08%
Totals	197	207.76	100.00%	266.03	100.00%

Note: (i) Investee valuations are based on unaudited financials

Active Portfolio Companies by Investee Industry

31 December 2007

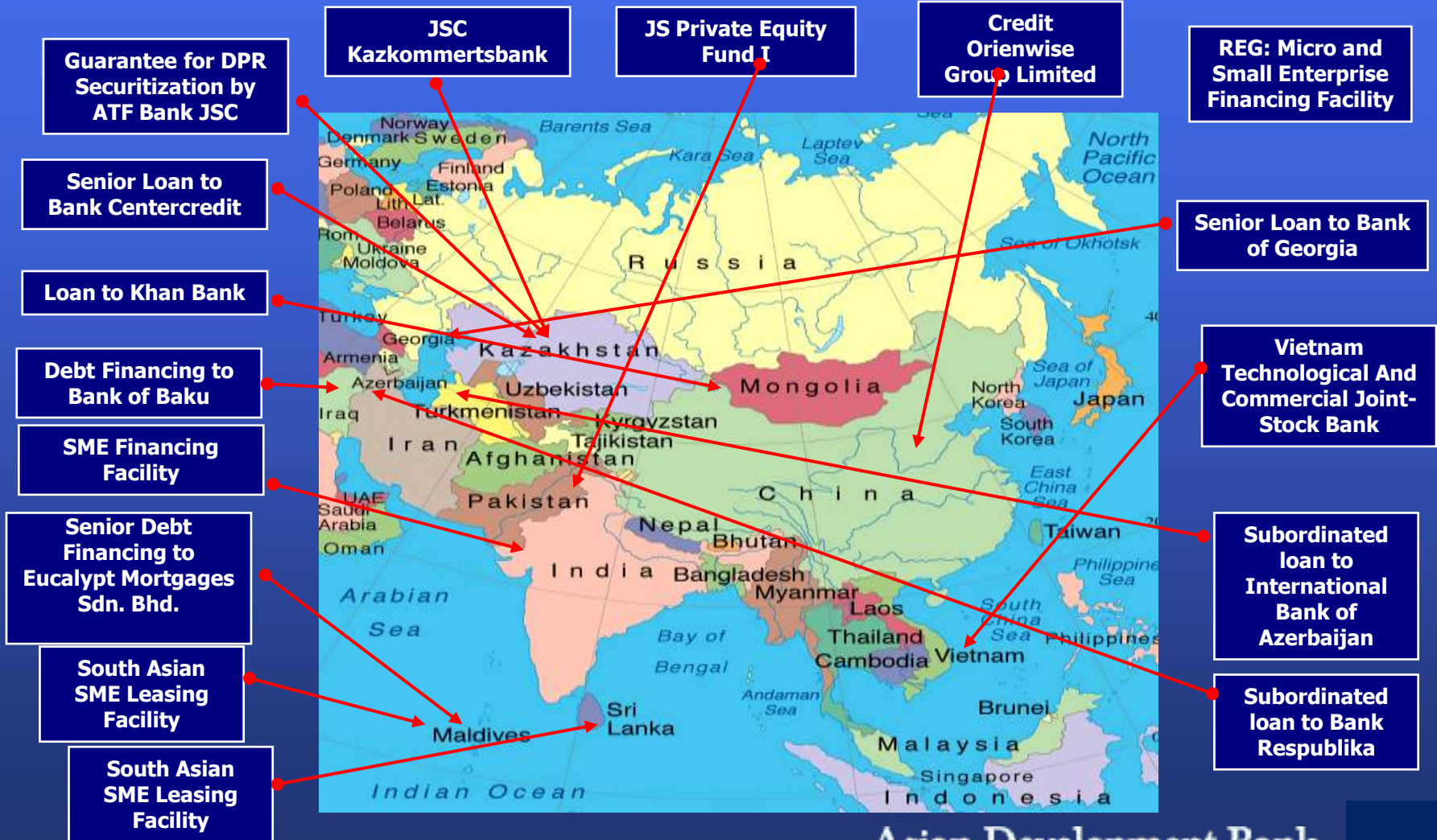
Country	Number of Investees	Remaining Investment at Cost		Remaining Investment Valuation	
		(in \$, million)	(%)	(in \$, million)	(%)
Manufacturing - light	27	34.99	16.84%	51.31	19.29%
Manufacturing - heavy	25	32.11	15.45%	41.32	15.53%
Consumer products/services	14	19.70	9.48%	24.39	9.17%
Financial services	20	18.66	8.98%	24.57	9.24%
Transportation/Distribution	9	15.37	7.40%	19.93	7.49%
Infrastructure	11	13.74	6.61%	18.74	7.05%
Telecommunications	11	12.75	6.14%	8.70	3.27%
Medical/Biotechnology	15	12.32	5.93%	13.23	4.97%
Ecology	16	11.20	5.39%	18.06	6.79%
Information technology	14	6.92	3.33%	8.28	3.11%
Construction	5	6.87	3.31%	8.06	3.03%
Computer related	6	6.15	2.96%	2.11	0.79%
Services - Non-financial	4	5.21	2.51%	10.18	3.83%
Textiles and clothing	4	2.68	1.29%	3.05	1.15%
Retail/Wholesale	4	2.59	1.25%	2.61	0.98%
Utilities	2	2.54	1.22%	2.93	1.10%
Electronics	4	1.13	0.54%	1.94	0.73%
Media	3	1.04	0.50%	1.50	0.57%
Travel/Hospitality	1	0.96	0.46%	1.15	0.43%
Leisure/entertainment	1	0.82	0.40%	3.77	1.42%
Conglomerates	1	-	0.00%	0.20	0.08%
Totals	197	207.76	100.00%	266.03	100.00%

Note: (i) Investee valuations are based on unaudited financials

Transaction Selection

- ❖ Clear developmental impact
- ❖ Fit with ADB strategies
- ❖ Fit with “Country Partnership Strategy”
- ❖ Additionality: what can ADB provide that would not happen if left purely to the market
- ❖ Attract commercial parties to the transaction
- ❖ Market Pricing

Recent Transactions



Case Study 1

PHI: Disposal of NPL Portfolio for National Home Mortgage Finance Corporation (NHMFC)

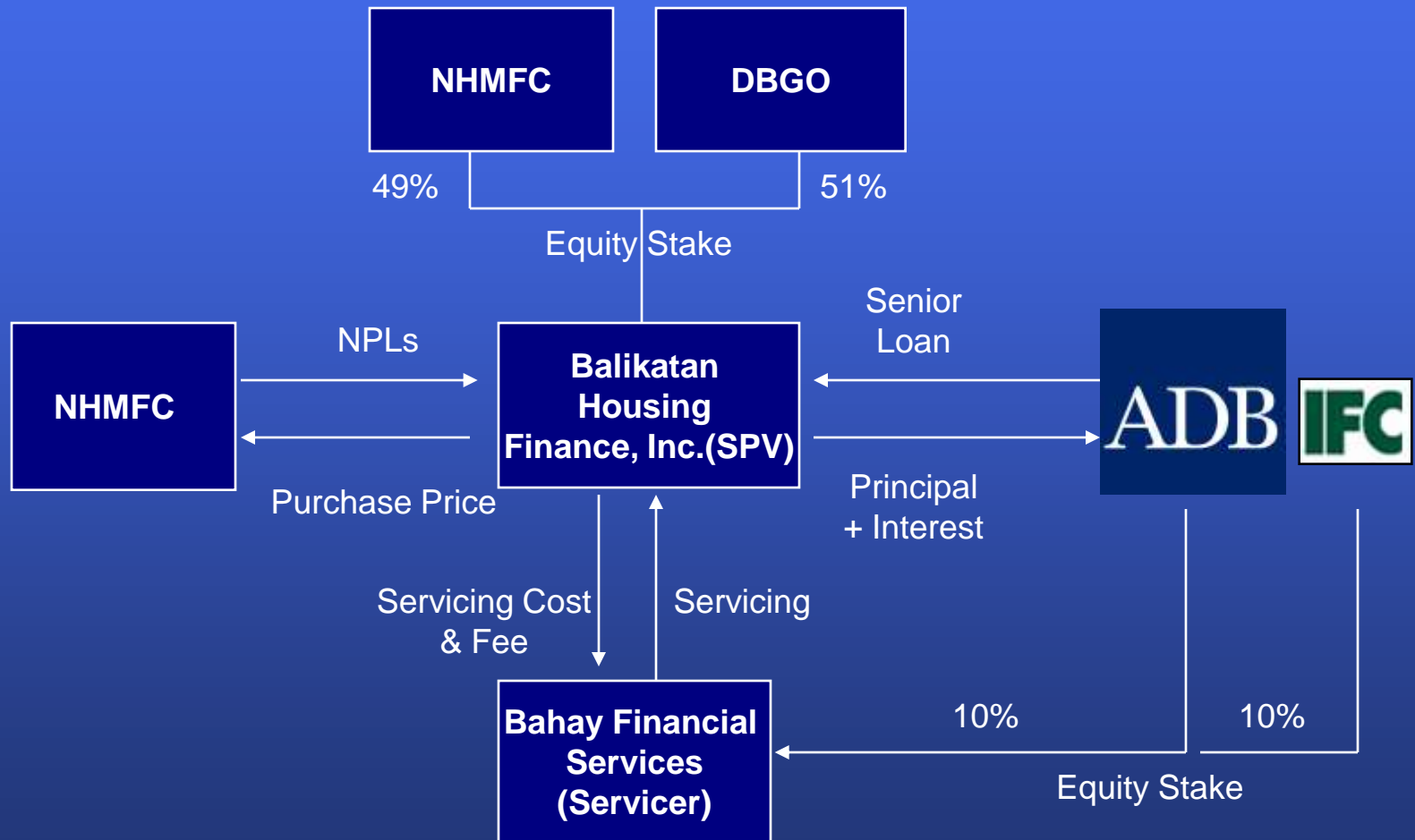
Transaction Outline

- ❖ 1977: NHMFC created in to be a secondary mortgage institution and primary mortgage loan provider in the Philippines
- ❖ 1988: Established Unified Home Lending Program (UHLP)
- ❖ Low repayment rate and huge amount of uncollected loans in UHLP
- ❖ 1996: UHLP was suspended and NHMFC was mandated to refocus its efforts on collections
- ❖ NHMFC auctioned off approximately Php13.45 billion of NPLs
- ❖ DB Global Opportunities Fund (DBGO) won bid and partnered with NHMFC to resolve NPL portfolio
- ❖ Allowed NHMFC to repay Funders more quickly
- ❖ Core restructuring strategy: transition of NHMFC to a secondary mortgage institution

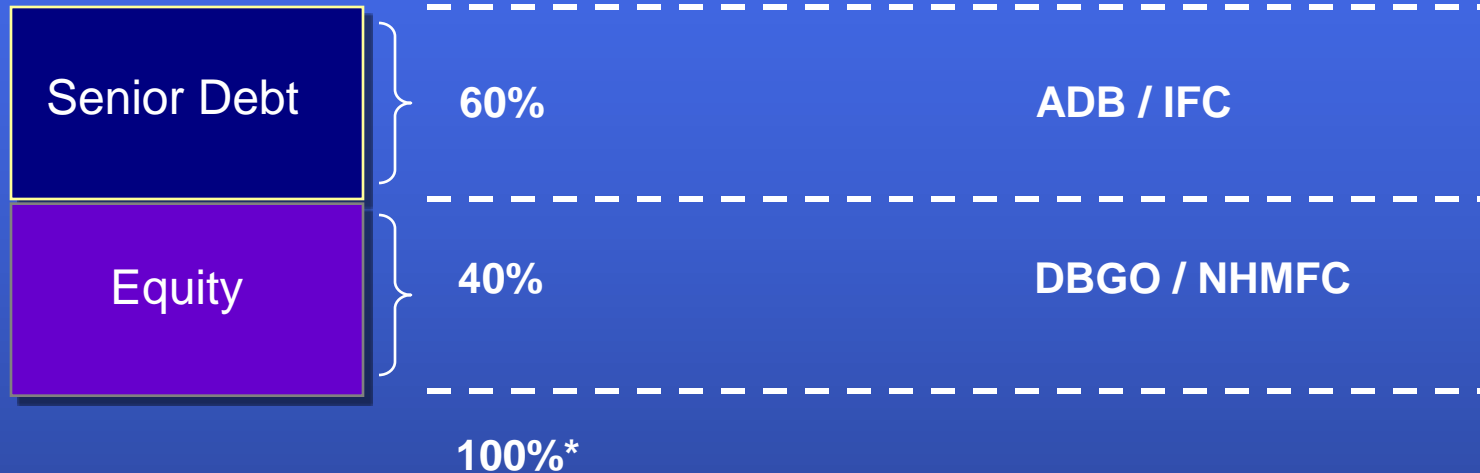
Development Impacts

- ❖ Promotes Housing
 - Invigorates low-income housing market by allowing borrowers to restructure their obligations and become home owners
 - Created first best-practice servicing platform for low- and middle-income housing loans and NPLs
 - Builds foundation for future mortgage-backed securitization market
- ❖ Resolves NPLs
 - Catalyzed investors into NPL market
 - Achieved demonstration effect in NPL resolution
- ❖ Improves Economy
 - Strengthened Philippine pension system
 - Catalyzed foreign investments and generates employment
 - Fosters sustainable credit culture at retail level

Transaction Structure



Capital Structure



* This chart only represents the funding for the acquisition of the NPL Portfolio

Senior debt has first claim on cash flow

Value Addition of ADB

- ❖ ADB's support lent credibility and provided considerable comfort to potential investors
- ❖ ADB financing helped encourage DBGCO to enter the Philippine NPL market and became a condition precedent for their participation
- ❖ ADB bridged the pricing gap given unavailability of private sector debt financing
- ❖ ADB's involvement also ensures best practices in the Servicer's operations as it services and resolves the acquired portfolio

ADB support was critical to project success

Case Study 2

PRC: Bank of China

Transaction Outline

- ❖ \$75 million equity investment or CNY equivalent in Bank of China Ltd. (BOC), a state-owned commercial bank (SOCB) as part of their privatization.
- ❖ BOC used the equity proceeds from ADB and the other strategic investors to
 - (i) extend BOC's business and product lines, and
 - (ii) prepare for its planned IPO in 2006.
- ❖ In addition to ADB, two other strategic investors were selected
 - Royal Bank of Scotland Group Plc (RBS) (in conjunction with Merrill Lynch & Co. and Li Ka-shing Foundation, a charitable foundation owned by Hong Kong's wealthiest individual as RBS's financing partners
 - UBS AG (UBS), Switzerland.

Development Impacts

- ❖ Transfer of international best practices and bank management expertise to BOC
- ❖ Expand priority business segments through commercial agreements with strategic investors
- ❖ Strengthen BOC's capital base
- ❖ Improve corporate governance and internal control procedures and policies.

Technical Assistance

ADB Technical Assistance: in an amount of \$300,000 as a complementary part of ADB's equity investment into BOC.

(i) Risk management and internal controls.

- ❖ Advise BOC on internationally accepted best practices for risk management and internal controls.
- ❖ Review the draft operations risk management (ORM) framework prepared by BOC and other BOC credit policies.
- ❖ Examine the organizational structure between the various departments and risk management groups.
- ❖ Prepare a report on observations and recommendations. Assist with revising the risk management and internal control policies and procedures.

Technical Assistance *(cont'd.)*

(ii) Anti-Money Laundering and Anticorruption

- ❖ Review and assess the current anti-money laundering and anticorruption policies and procedures.
- ❖ In the light of best practices, prepare a report on observations and recommendations with recommendations.
- ❖ Assist with revising the current anti-money laundering and anticorruption policies and procedures.
- ❖ Design training and undertake a workshop for selected BOC credit officers for anti-money laundering and anticorruption awareness and safeguards.

Technical Assistance *(cont'd.)*

(iii) Environmental Management System and Safeguards

- ❖ Develop and conduct a workshop for selected BOC credit officers and managers for environmental issues and safeguards training.
- ❖ Outputs will include (1) a training curriculum and materials; (2) improved understanding and skills in identifying and managing environmental risks, enhanced awareness for expanded business opportunities relating to sustainability products and services; and (3) awareness about the PRC's national environmental safeguard policies.
- ❖ Assist in developing and drafting an EMS tailored to BOC in compliance with national laws and regulations.

Case Study 3

GEO: Bank of Georgia

Transaction Outline

- ❖ February 2007, Georgia becomes member of ADB.
- ❖ Spring of 2007, PSCM visits financial institutions in Georgia to assess needs of banking sector.
- ❖ August 2007, ADB and Citibank jointly arrange syndicated loan for Bank of Georgia.
- ❖ Citibank tranche, maturity 12 and 18 months, USD 98.5 million, syndicated widely, mainly to European and US banks.
- ❖ ADB tranche, maturity 3 years, USD 25 million.

Advantages of ADB Involvement

- ❖ Longer maturity than currently available maximum (3 years vs. 18 months).
- ❖ This allows to balance longer tenor assets and aids in negotiating future transactions with other lenders.
- ❖ ADB's involvement adds visibility to the transactions and aids syndication of commercial tranche.
- ❖ Longer maturity funding for Bank of Georgia's SME lending. SMEs are seen as key drivers in economic growth.

Case Study 4

VIE: Vietnam Techcombank

Mortgage Finance in Asia

- ❖ More than 1 billion people worldwide without access to adequate housing – half of whom live in Asia and the Pacific.
- ❖ Status of Mortgages Markets in Asia:
 - Comprise less than 8-10% of GDP in India.
 - About 11% of GDP in China.
 - In Thailand, just 9% of GDP.
 - About 3-5% of GDP in Vietnam.
- ❖ In contrast, the homeownership rates in U.S. and the U.K. are over 70%.

Mortgage Finance in Vietnam

- ❖ Working with Techcombank, based in Hanoi, to provide \$25 million loan.
- ❖ Techcombank is a successful joint-stock commercial bank that is expanding into the retail segment.
- ❖ Funds will be used to expand the bank's product menu with the addition of mortgage finance products.
- ❖ Meets high level of demand for funds for mortgage financing from growing consumer class.
- ❖ Longer-term funds are absent in Vietnam. ADB's loan will bridge this gap.

Case Study 5

REG: Trade Finance Facilitation Program (TFFP)

At a Glance

- ❖ What is Trade Finance?

Finance provided by banks issuing letters of credit , or a means of payment between importers and exporters.

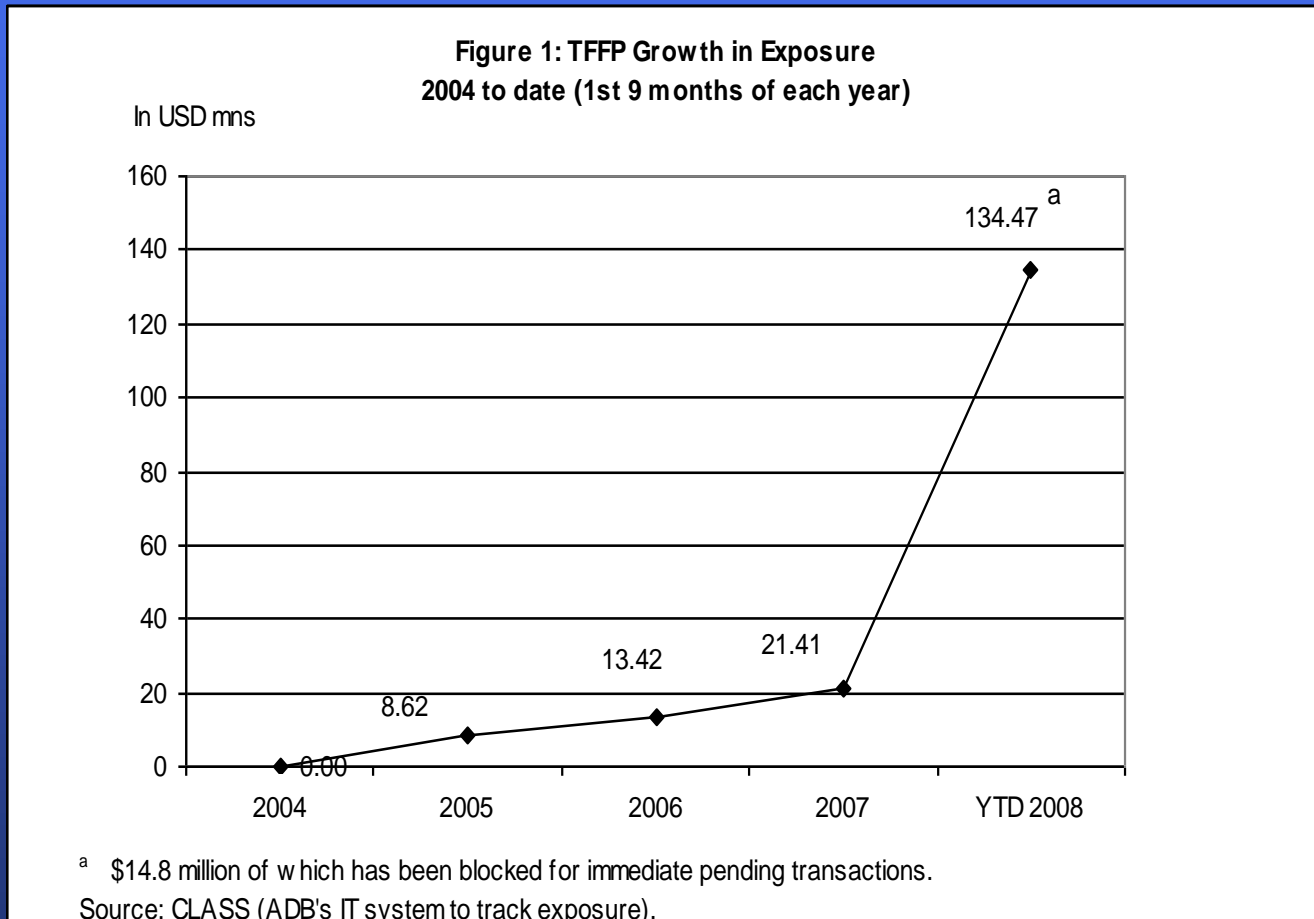
- ❖ What is the Trade Finance Facilitation Program?

A mechanism for providing mitigation against commercial and political risks associated with international trade, and for promoting trade expansion in challenging markets.

General Description of TFFP

- ❖ The TFFP was approved by ADB Board of Directors October 2003
 - \$150 million maximum exposure
 - Maximum tenors range from 6 months to 2 years
- ❖ The TFFP works exclusively through local banks in ADB developing member countries (DMCs) and with international confirming banks.
- ❖ By sharing country and bank risk with international confirming banks, ADB's TFFP manages to effectively increase trade credit lines available to local banks, and by extension, increases the availability of trade credit to local importing and exporting companies.
- ❖ The TFFP has been growing rapidly.

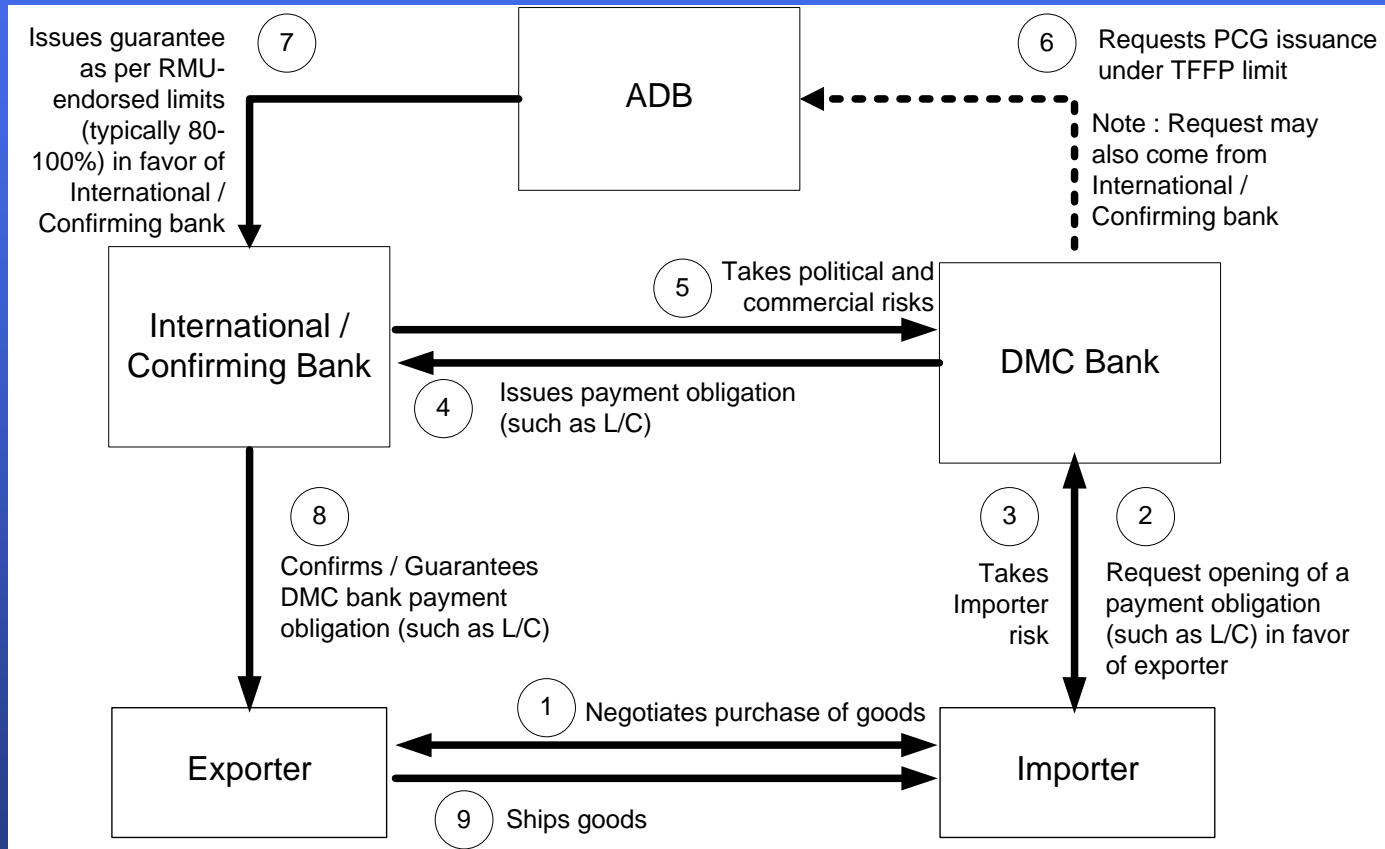
TFFP Growth in Exposure (2004 to date)



Existing ADB TFFP Products

- ❖ Partial Credit Guarantee (PCG)
 - Provides guarantees to international confirming banks covering country risk as well as risk on local/DMC banks issuing Letters of Credit (L/Cs) and other instruments in support of trade.
- ❖ Revolving Credit (RC)
 - Provides pre-export financing through local/DMC banks
- ❖ Risk Participation Agreement (RPA)
 - Shares equal amount of country and DMC-bank risk with international confirming banks under risk participations in the most challenging markets in support of trade

Partial Credit Guarantee (PCG) Product



ADB = Asian Development Bank, DMC = developing member country, L/C = letter of credit, RMU = risk management

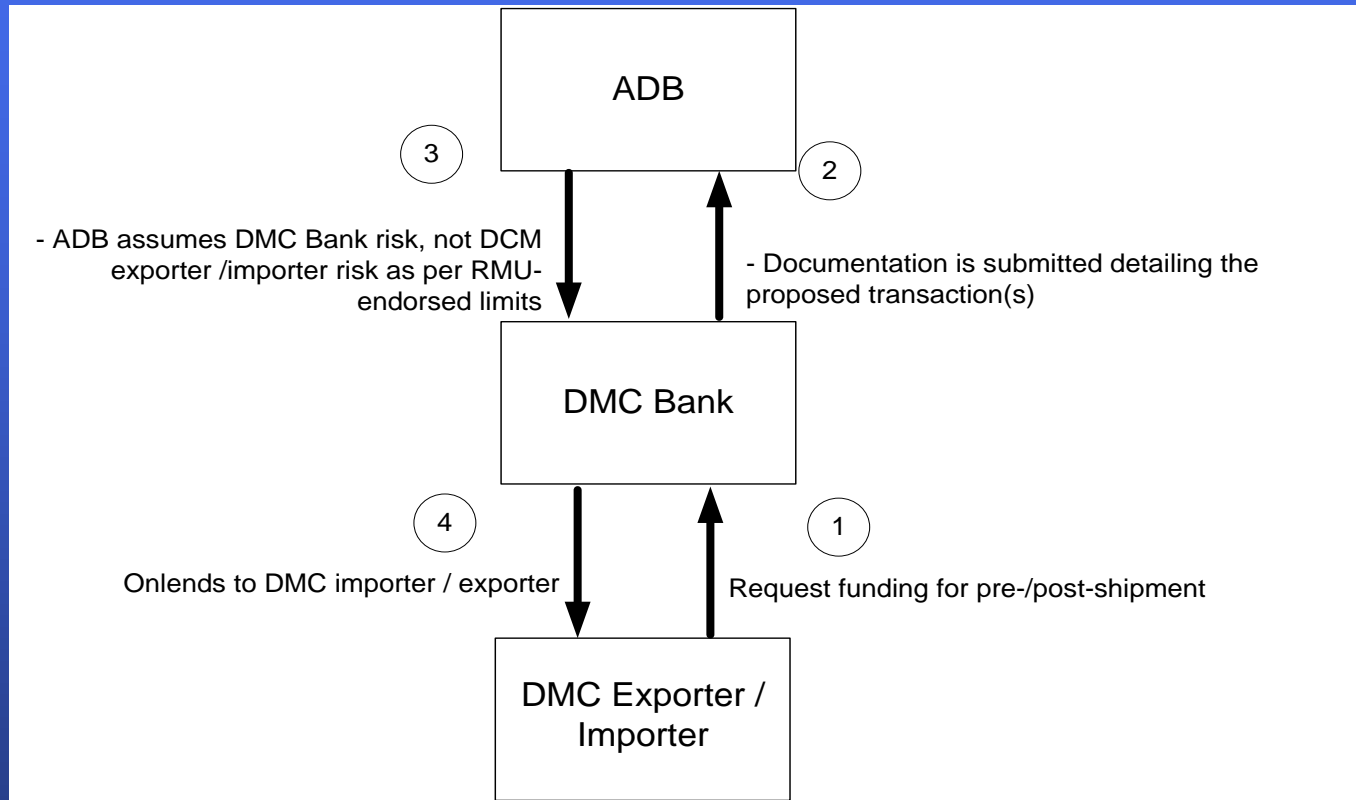
* Prior to any transaction being eligible, the TFFP will have already secured RMU-endorsed DMC bank limits.

* Notwithstanding Step 1, the entire process can take as little time as a few days.

NB : This diagram is only an example to provide a general idea of the TFFP's PCG product.

Source: PSCM-TFFP.

Revolving Credit Facility (RCF) Product



ADB = Asian Development Bank, DMC = developing member country, RMU = risk management unit.

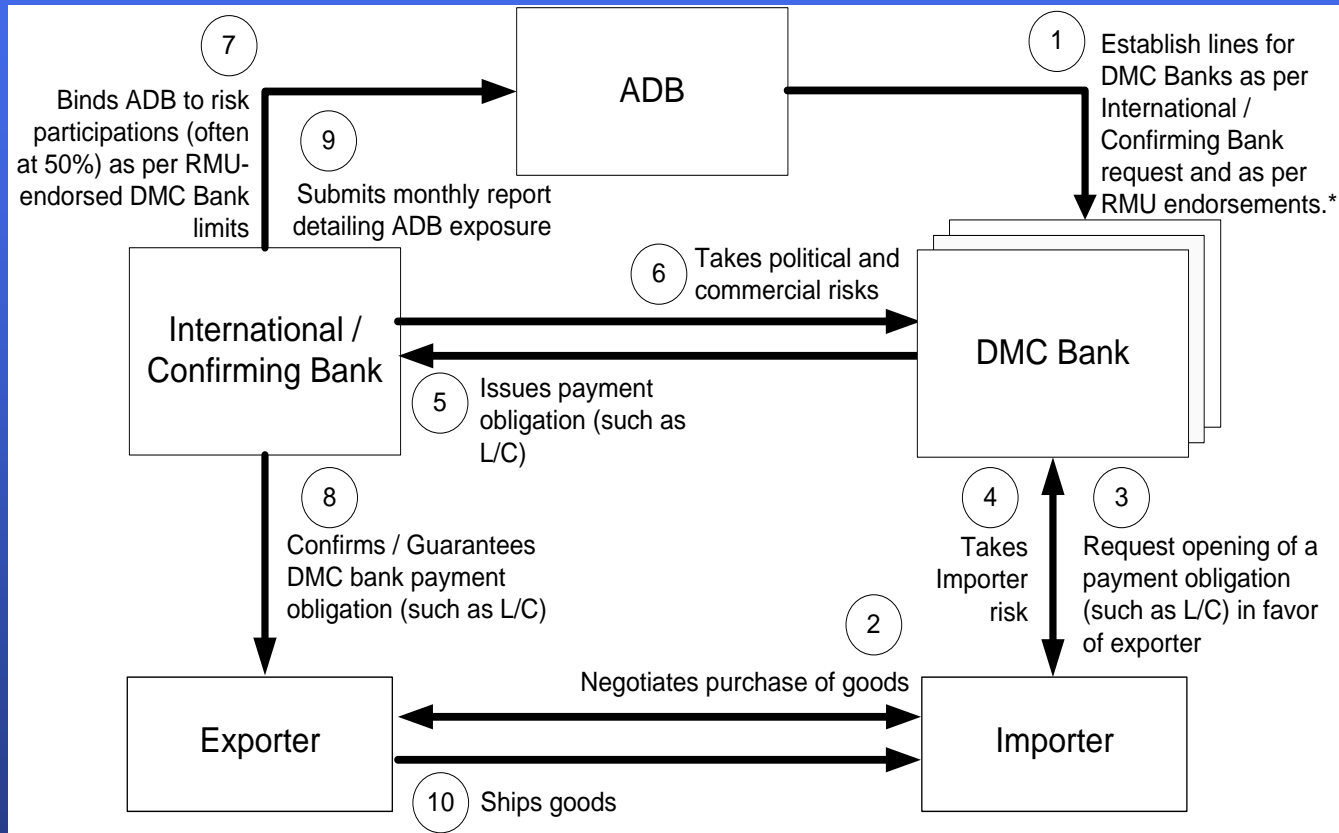
* Prior to any transaction being eligible, the TFFP will have already secured RMU-endorsed DMC bank limits.

NB : This diagram is only an example to provide a general idea of the TFFP's RCF product.

Most often, the RCF has supported pre-export financing to DMC companies.

Source: PSCM-TFFP

Risk Participation Agreement (RPA) Product



ADB = Asian Development Bank, DMC = developing member country, L/C = letter of credit, RMU = risk management

* Assuming RMU endorsement, a portion of DMC Bank limit is delegated to International / Confirming Bank(s) to bind ADB risk participations as per Step 7.

* Prior to any transaction being eligible, the TFFP will have already secured RMU-endorsed DMC bank limits.

NB : This diagram is only an example to provide a general idea of the TFFP's PCG product.

Source: PSCM-TFFP

TFFP's Strategic Fit Within PSOD/PSCM

- ❖ Because trade finance carries a low risk profile, it is an ideal product with which to begin relationships with DMC banks before engaging in higher-risk products such as equity, project finance, housing loans and SME finance.
- ❖ Trade finance is therefore a good strategic product to expand ADB's relationships with DMC banks in a prudent manner.
- ❖ From a risk management perspective, the TFFP is well suited to prudently explore broad relationships with DMC banks, especially where ADB has been relatively inactive in the private sectors of the lowest-income DMC

Key Results

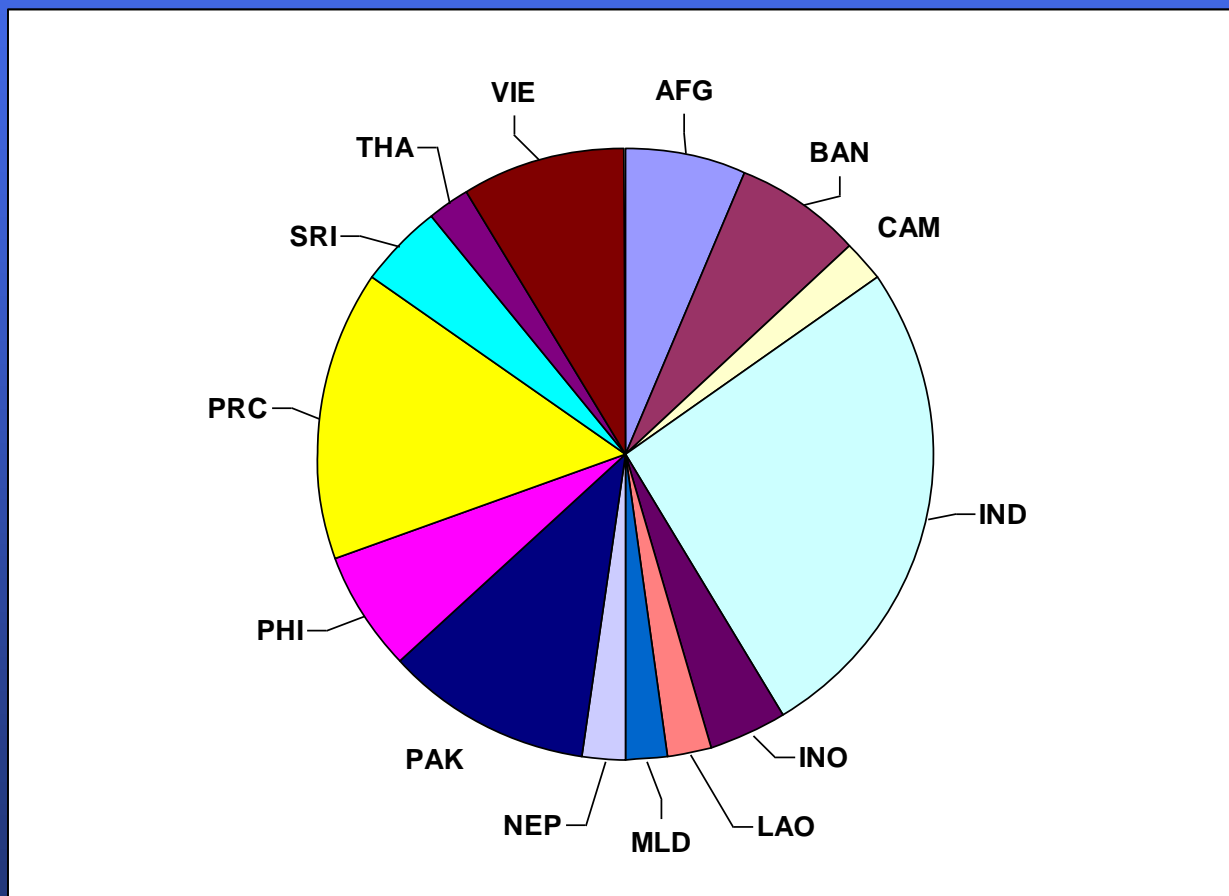
Development Results	Program Results
Supported 449 intra-regional trade transactions	Implemented in 9 countries and is scheduled for implementation in 6 additional countries by end 2009
Supported 325 DMC-to-DMC trade transactions	Increased volume 528% year-on-year to September 2008, compared with September 2007,
Supported 111 SME trade transactions	Increased volume and revenue by 78% and 93% respectively in 2007 compared with 2006
Supported 901 trade transactions	No losses and no problem loans in history of TFFP

Private Sector Infrastructure Finance

Private Sector Infrastructure Finance

Portfolio by Country

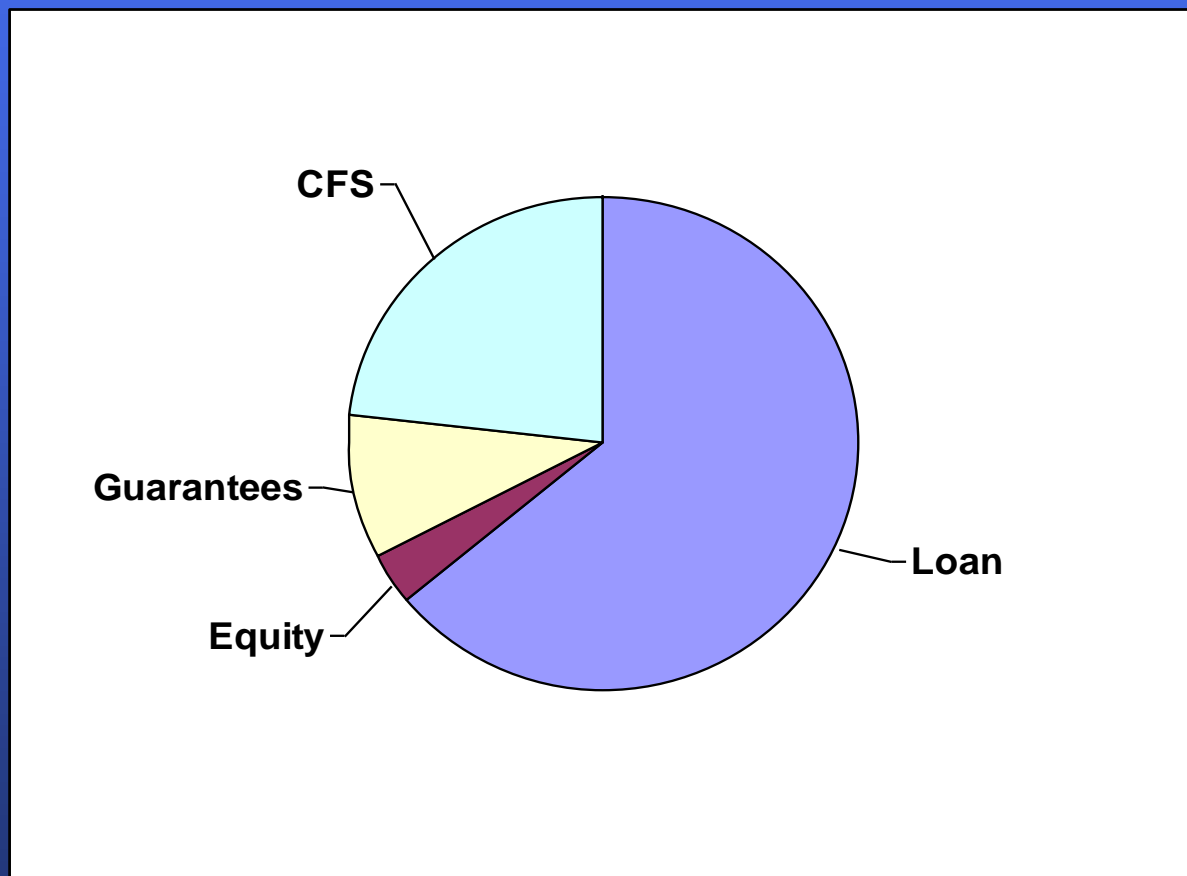
DMC	No. of Projects
AFG	3
BAN	3
CAM	1
IND	12
INO	2
LAO	1
MLD	1
NEP	1
PAK	5
PHI	3
PRC	7
SRI	2
THA	1
VIE	4
Total	46



Private Sector Infrastructure Finance

Portfolio by Product

Type	Amount (USD million)
Loan	3,081.62
Equity	160.89
Guarantees	461.71
CFS	1,119.39
Total	4,823.61



Private Sector Infrastructure Finance Division 1 (PSIF1)

Recent Transactions



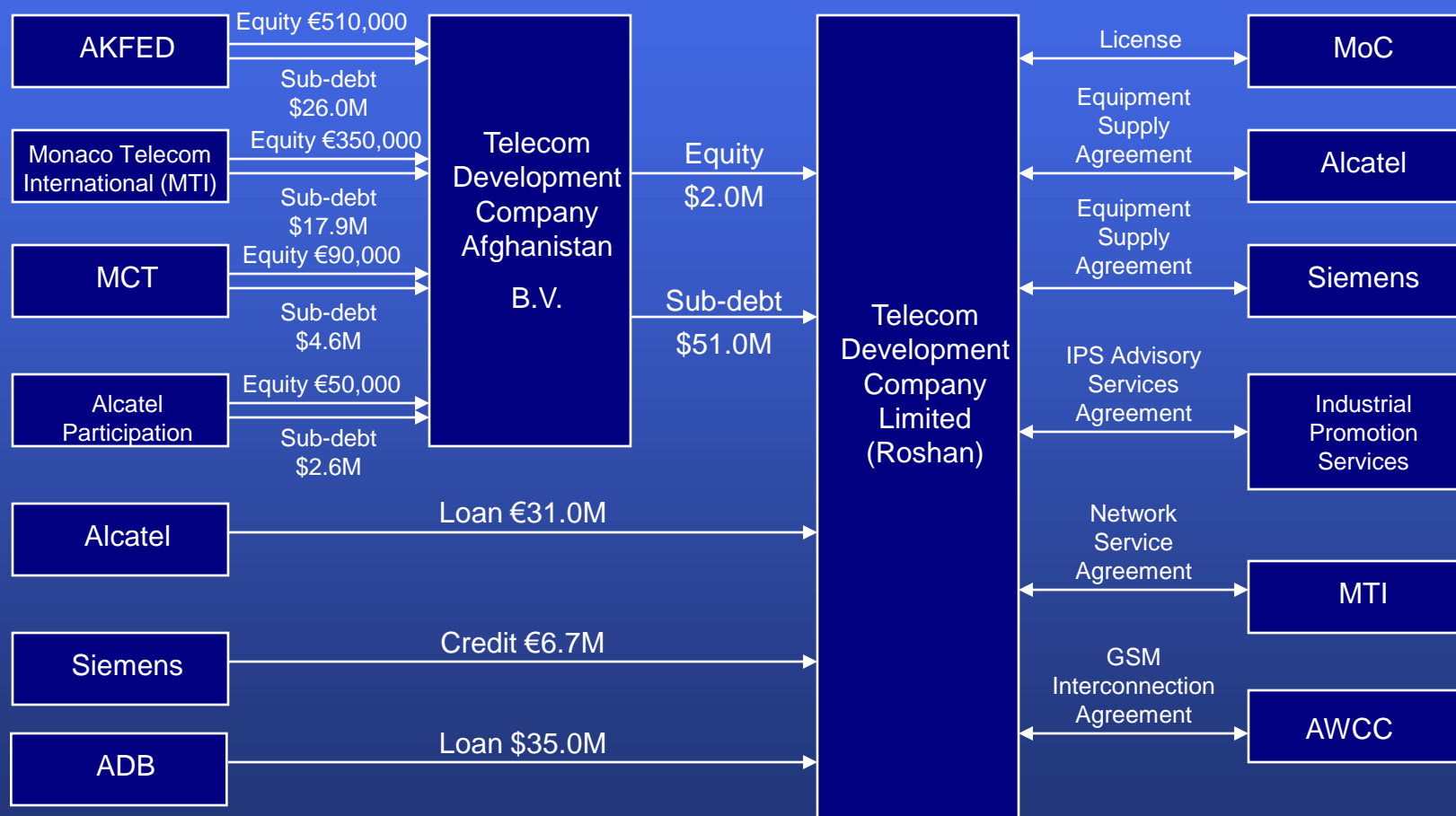
Case Study 1

AFG: Roshan Cellular Telecommunications Project (Roshan I)

Transaction Outline

- ❖ Expansion and restructuring of the capital base of Telecom Development Company Afghanistan Limited's (Roshan) mobile cellular telephone network
- ❖ Total Project cost of about \$165.5 million
- ❖ Sponsors include Aga Khan Fund for Economic Development (AKFED), Monaco Telecom International (MTI), MCT Corporation, and Alcatel Participations S.A. France
- ❖ ADB provided a loan of \$35 million without government guarantee

Contractual and Funding Structure



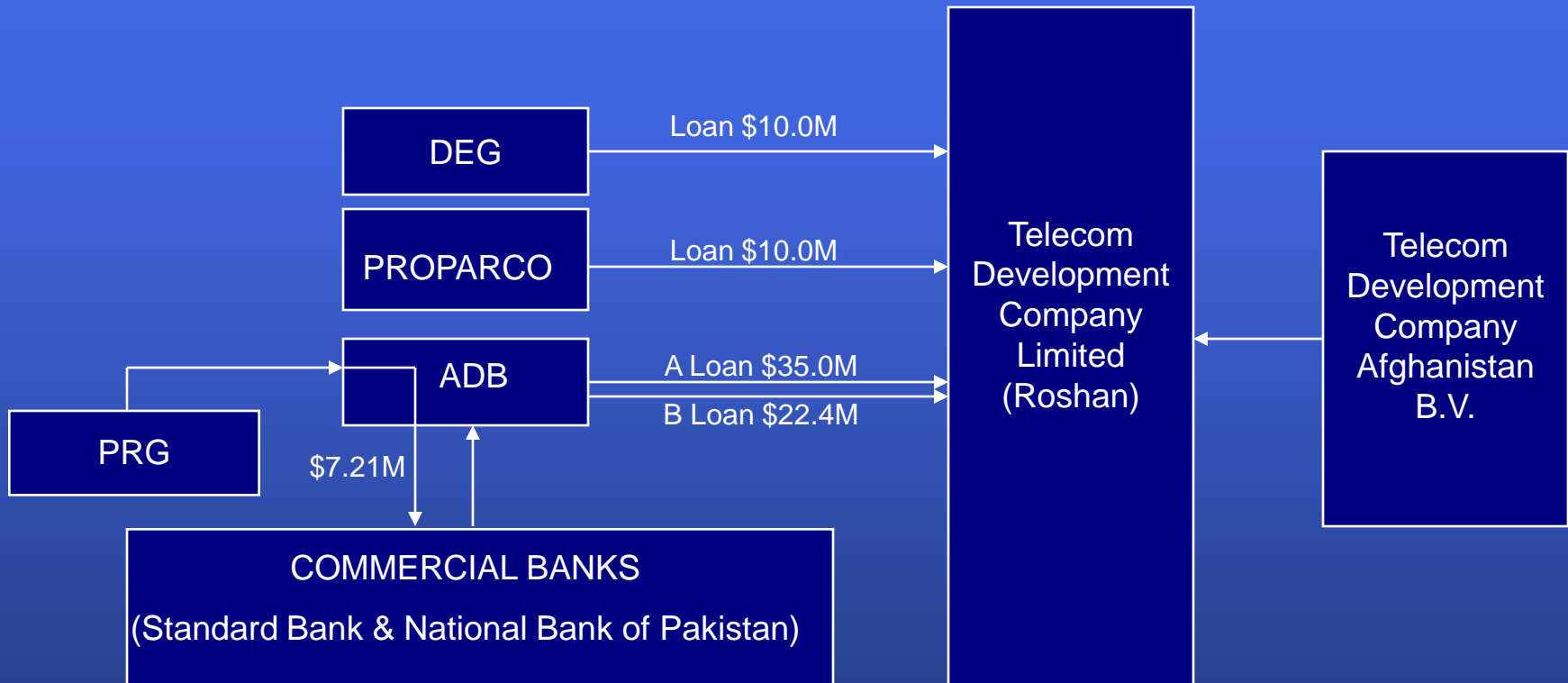
Case Study 2

AFG: Roshan Phase II Expansion Project

Transaction Outline

- ❖ Financing Roshan's second phase of expansion to provide for near-countrywide coverage, additional network redundancy, and a network upgrade
- ❖ Investment cost of the project is estimated at \$210.2 million
- ❖ Project sponsors were AKFED, MTI, and Telia Sonera UTA
- ❖ ADB provided a term loan of \$35 million without government guarantee; a commercial bank loan under the complementary financing scheme (CFS) in two tranches of \$22.4 million and \$7.2 million; and political risk cover

Funding Structure



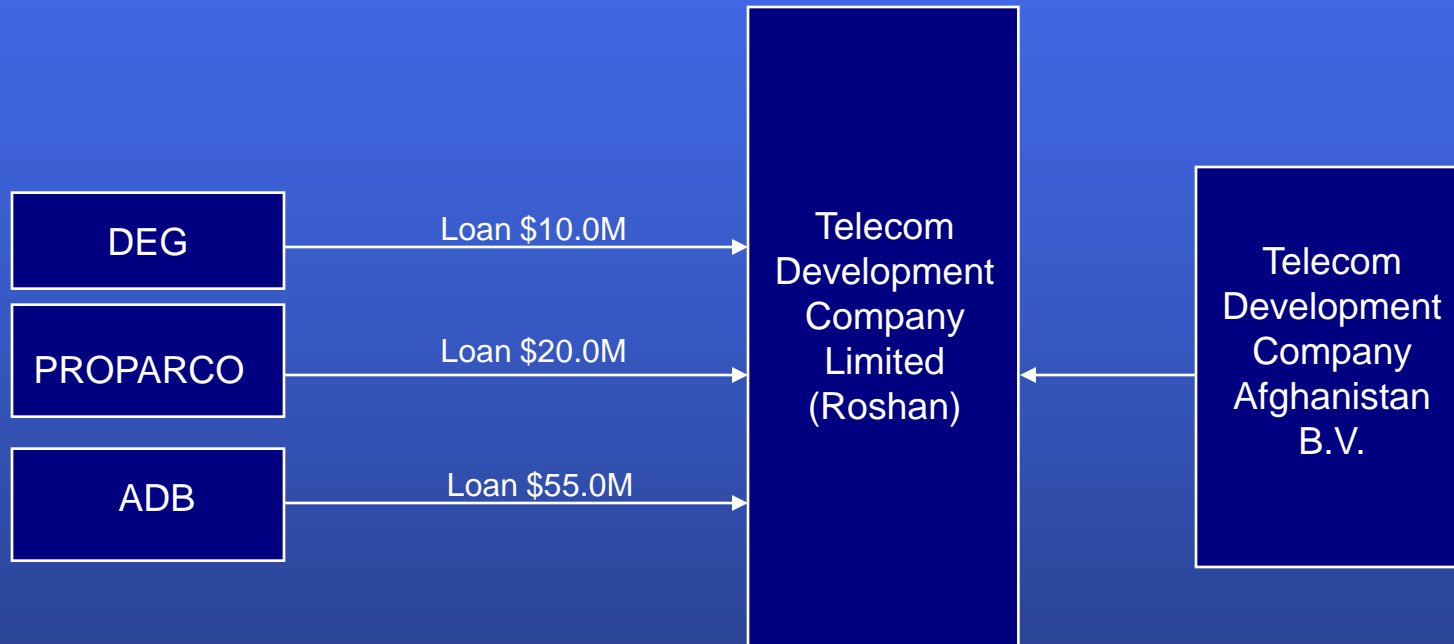
Case Study 3

AFG: Roshan Expansion Project (Roshan III)

Transaction Outline

- ❖ Roshan's phase III expansion aims to address remaining unmet demand for affordable telecom services in semi-urban and rural areas
- ❖ Investment cost of the project is estimated at \$175 million
- ❖ Project sponsors are AKFED, MTI, and Telia Sonera UTA
- ❖ A term loan of \$55 million without government guarantee; and a PRG of up to \$10 million plus interest to cover the DEG loan facility

Funding Structure



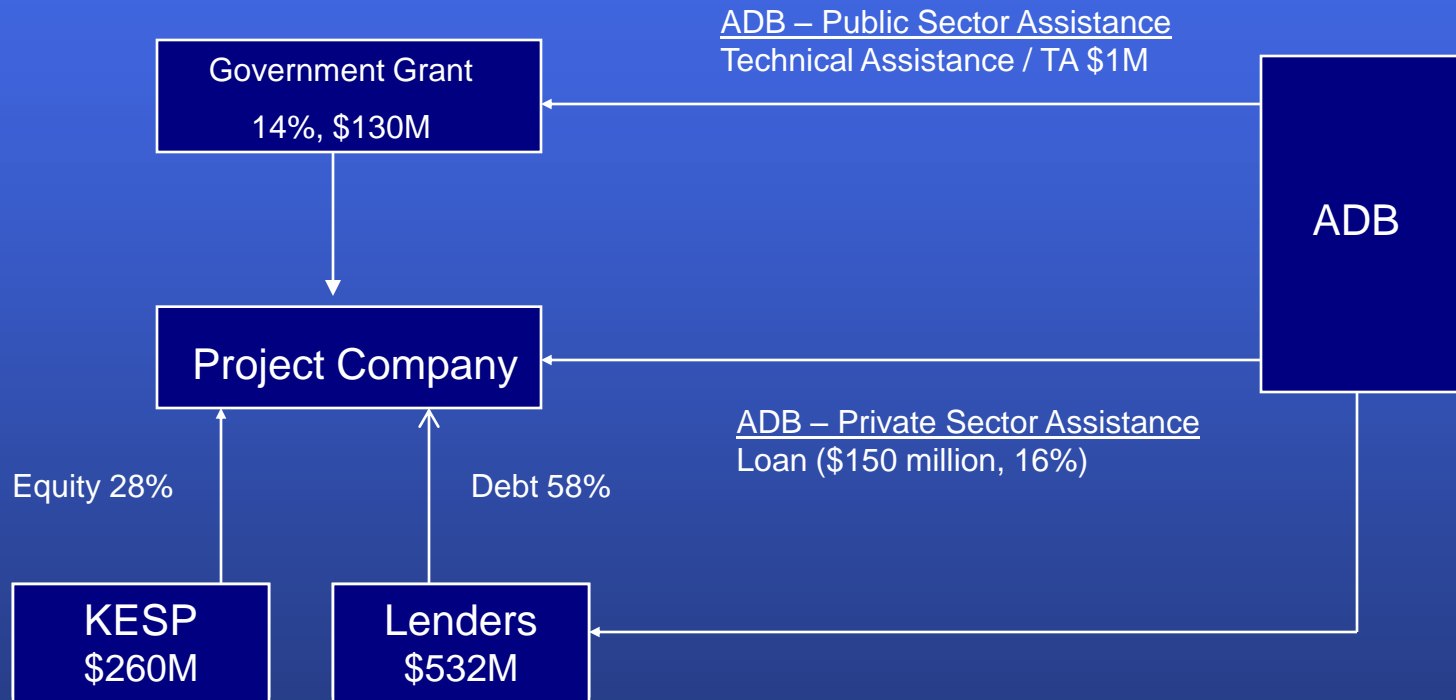
Case Study 4

PAK: KESC Postprivatization Rehabilitation, Upgrade, and Expansion

Transaction Outline

- ❖ Financing the turnaround of Karachi Electric Supply Corporation Limited (KESC)
- ❖ Total project cost of \$922 million (PRs58.8 billion) to be financed through a combination of Government investment grant (14%); shareholder contributions (28%); and debt (58%)
- ❖ Project sponsors include KES Power Limited (KES Power) and the Government
- ❖ ADB direct loan of \$150,000,000 or Pakistan rupee equivalent without government guarantee

Funding Structure



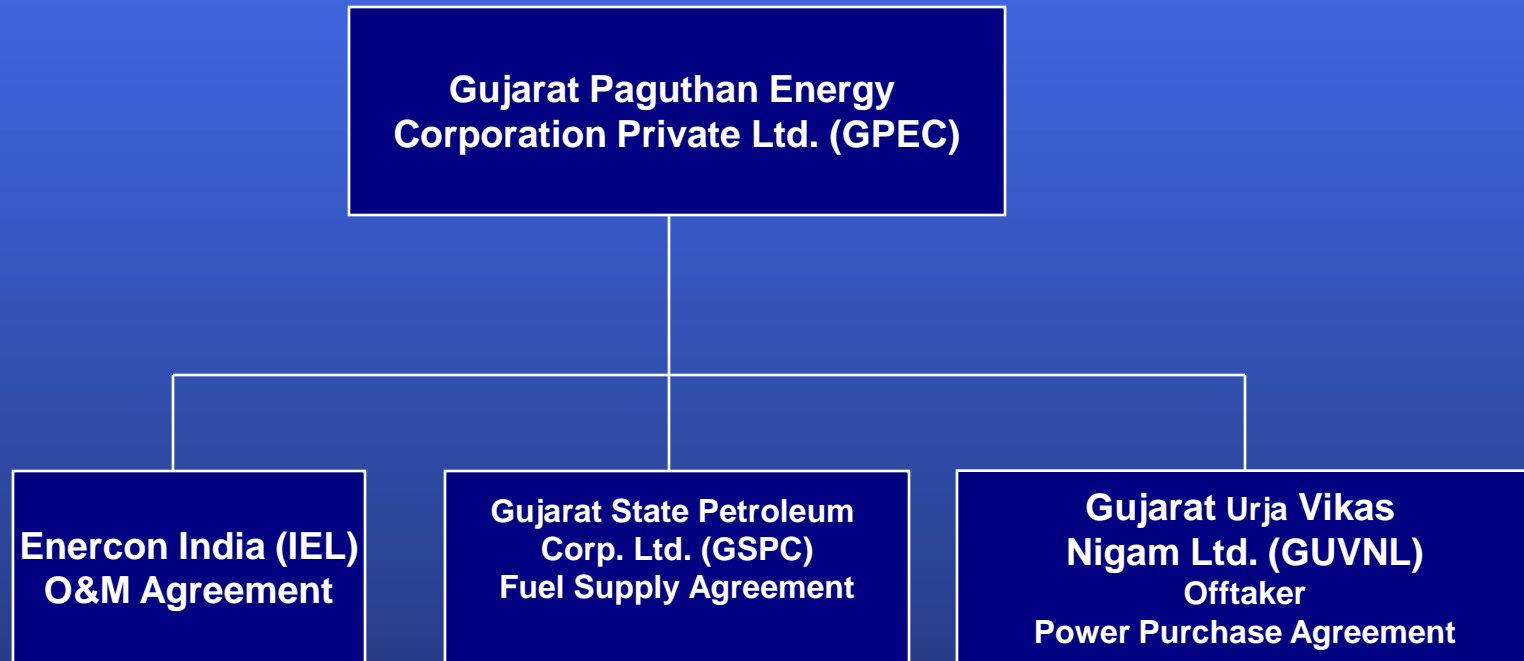
Case Study 5

IND: Gujarat Paguthan Wind Energy Financing Facility

Transaction Outline

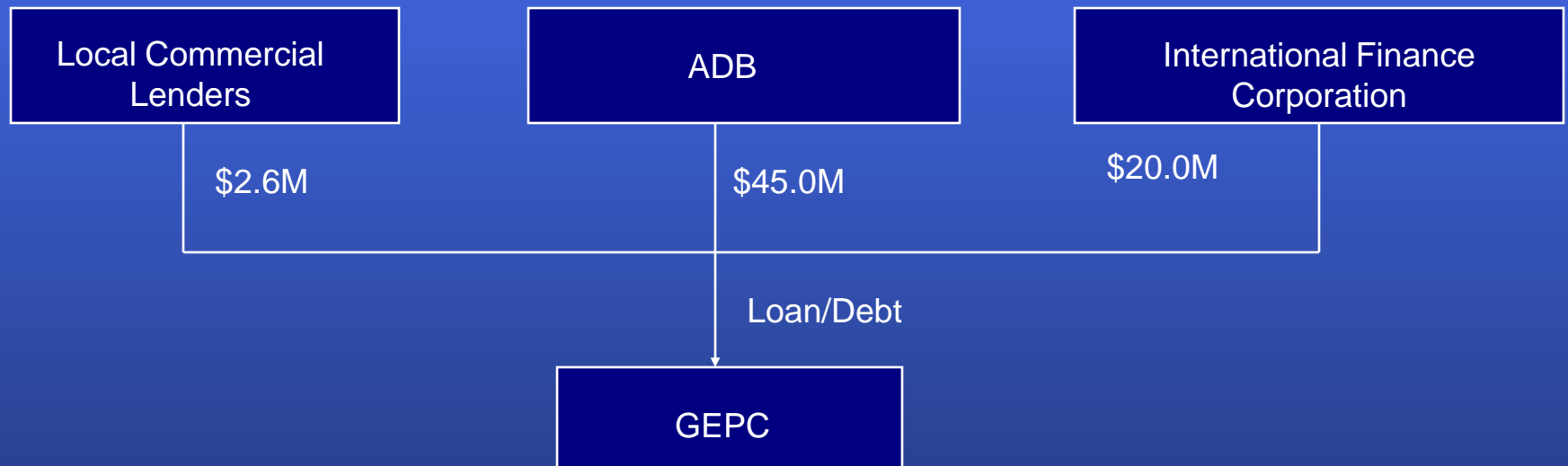
- ❖ Financing the setting up of wind energy facilities in the Indian states of Gujarat and Karnataka comprising GPEC (Samana Phase 1) and CLP Wind (Samana Phase 2 and Saundatti)
- ❖ The largest private sector wind power project being financed by ADB
- ❖ Total project cost of around \$237 million financed through a combination of GPEC's cash and internal accruals (20%) and long-term debt (80%)
- ❖ ADB to provide a US-dollar-denominated loan of up to \$105 million) with a tenor of up 13 years without government guarantee

Contractual Structure



Funding Structure

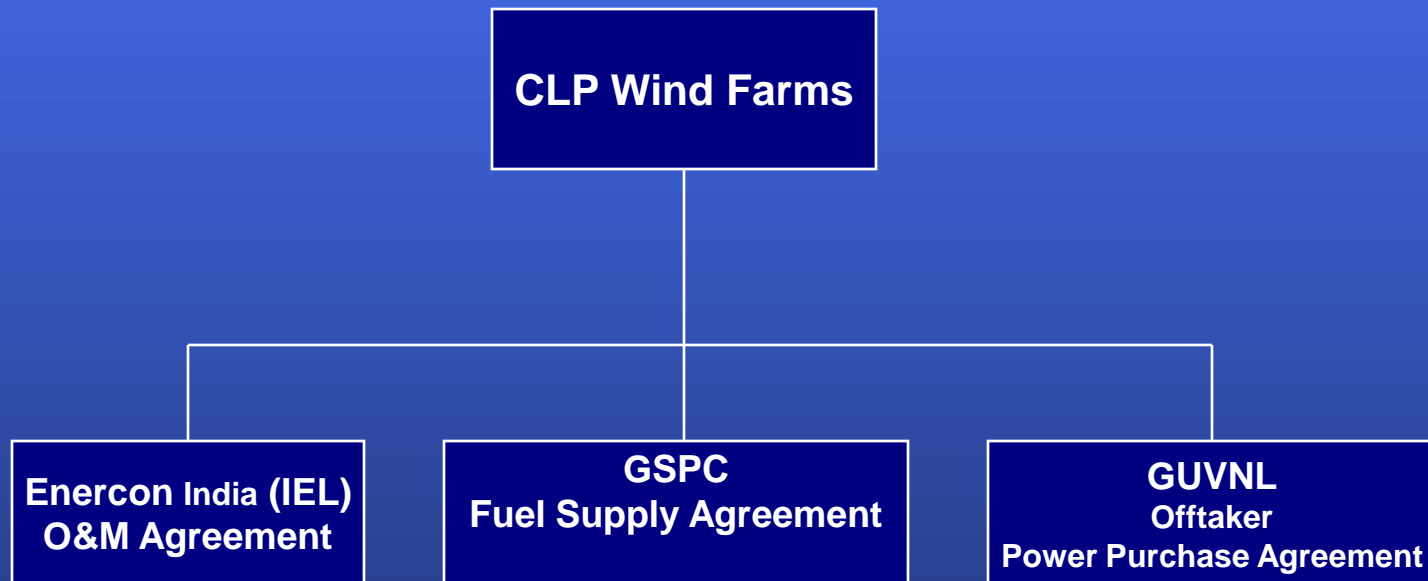
Project Cost – Approximately \$67M



Case Study 6

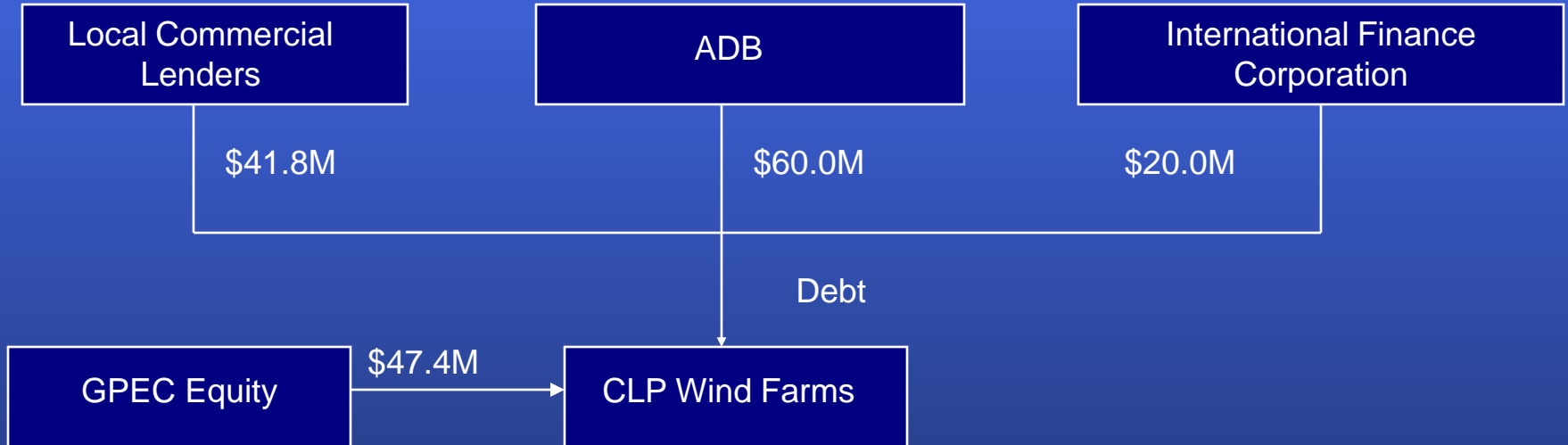
IND: CLP Wind Farms Private Limited (Samana – Phase 2)

Contractual Structure



Funding Structure

Project Cost Approximately \$170 million



Private Sector Infrastructure Finance Division 2 (PSIF2)

Case Study 1

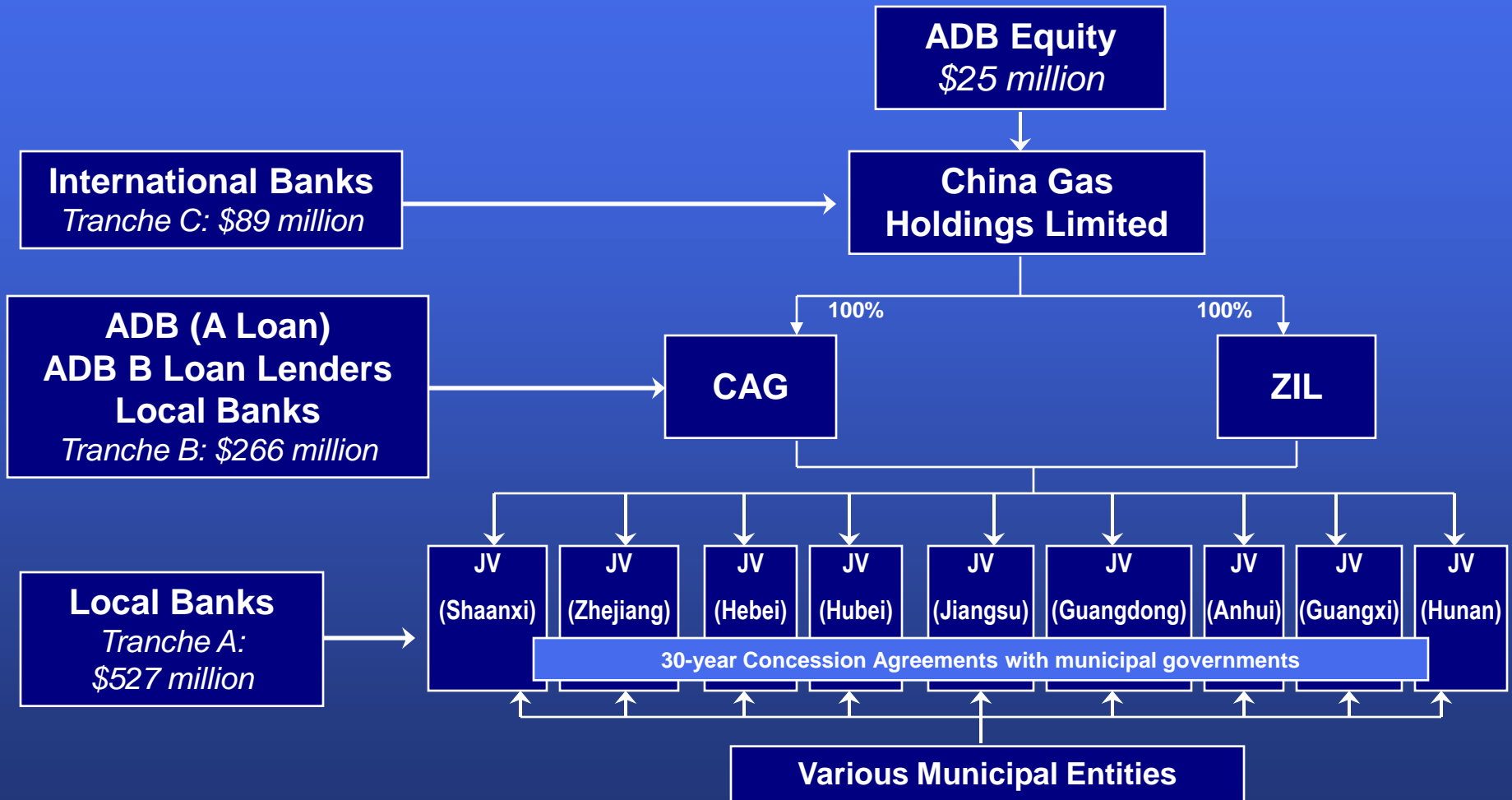
PRC: China Gas Holdings

China Gas Group

- ❖ Natural gas distribution company with 60 concessions in PRC
- ❖ Promotes environment improvement by increasing usage of cleaner fuel (i.e. natural gas)
- ❖ China Gas needs \$1.1 billion capital investment in 5 years
- ❖ ADB assisted to enhance corporate governance to attract investors and financiers



Implementation Arrangements



JV: Joint Venture
 CAG: Central Asia Natural Gas Shenzhen Company Limited
 ZIL: Zhongran Investment Limited

Improving Corporate Governance

- ❖ ADB helped implement Corporate Governance Improvement Program for senior management of the company
 - Training for BoD and corporate governance audits by PwC
 - Oversight committees, risk management & internal control, financial reporting
- ❖ With board representation throughout the period that ADB holds shares, ADB supports CGH to:
 - strengthen its institutional capacity
 - enhance corporate governance
 - develop a formal environmental and social management system
- ❖ CGH has since won various awards in corporate governance

Case Study 2

PHI: Privatization of Masinloc Power Plant

Transaction Outline

- ❖ The 600 MW power plant was bid out at \$930 million
- ❖ ADB provided a \$200 million loan, with local currency option to AES to acquire, rehabilitate and operate the plant
- ❖ Project will increase electricity supply, improve plant's operating efficiency, and bring the plant's environment, health, and safety standards up to global standards.
- ❖ Electricity generated from the plant will be sold through the spot market for the Luzon grid and bilateral contracts.



Background

- ❖ High electricity prices due to expensive PPAs and oligopolies in generation and distribution
- ❖ PPAs put tremendous pressure on the country's fiscal health
- ❖ ADB public sector advised on restructuring of the Philippine electricity sector to promote competition and efficiency and help correct the country's fiscal imbalance
 - Privatization of state power plants and transmission company
 - Private administration of Independent Power Producers (IPPs)
 - Establishment of a wholesale electricity spot market (WESM)
 - Establishment of independent regulator
 - Competition in retail supply of electricity ("Open Access")

ADB's Supports for Power Sector Reform

- ❖ 1998: \$300 million Power Sector Restructuring Program, co-financed by JBIC
- ❖ 2002: \$500 million Partial credit guarantee
- ❖ 2002: \$40 million Project loan for wholesale electricity spot market, co-financed by JBIC
- ❖ 2004: TA to strengthen institutional capacity of regulator (ERC) and facilitate privatization
- ❖ 2006: \$450 million Power Sector Development Program – Subprogram 1

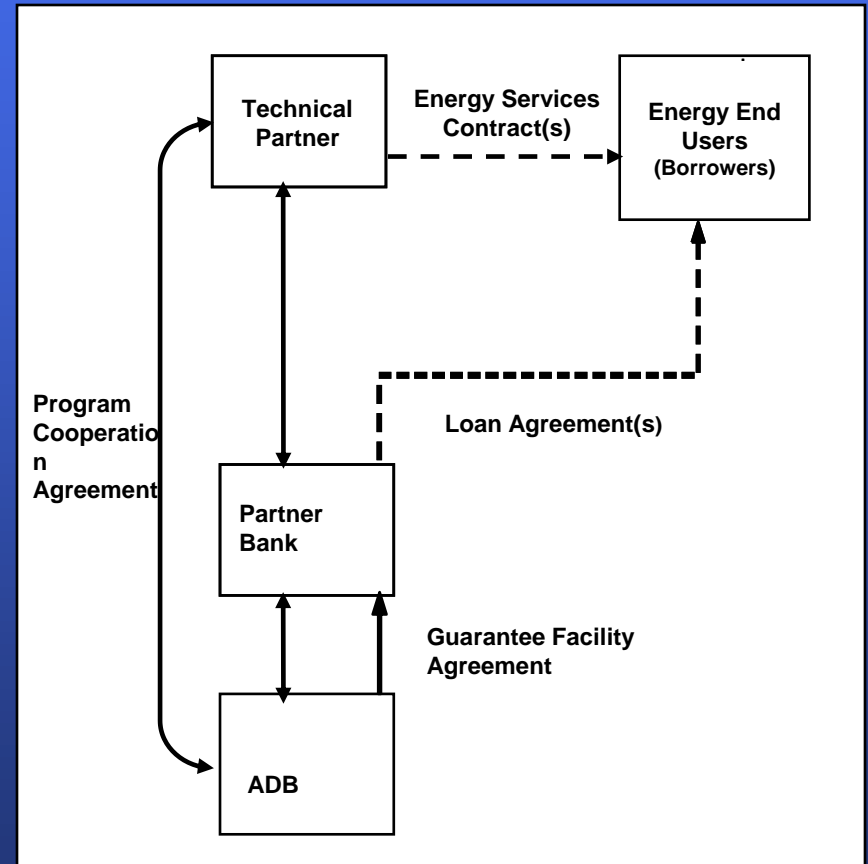
Case Study 3

PRC: Energy Efficiency Multi-Project Financing Project

Transaction Outline

- ❖ CNY 800 million in credit guarantees to selected banks enables them to offer loans for energy efficiency projects with less collateral and longer tenor.
- ❖ Allows a large number of energy end-users to reduce energy consumption in retrofitted and new buildings.
- ❖ Technical skills of a leading energy management company helps banks evaluate technical aspects of projects

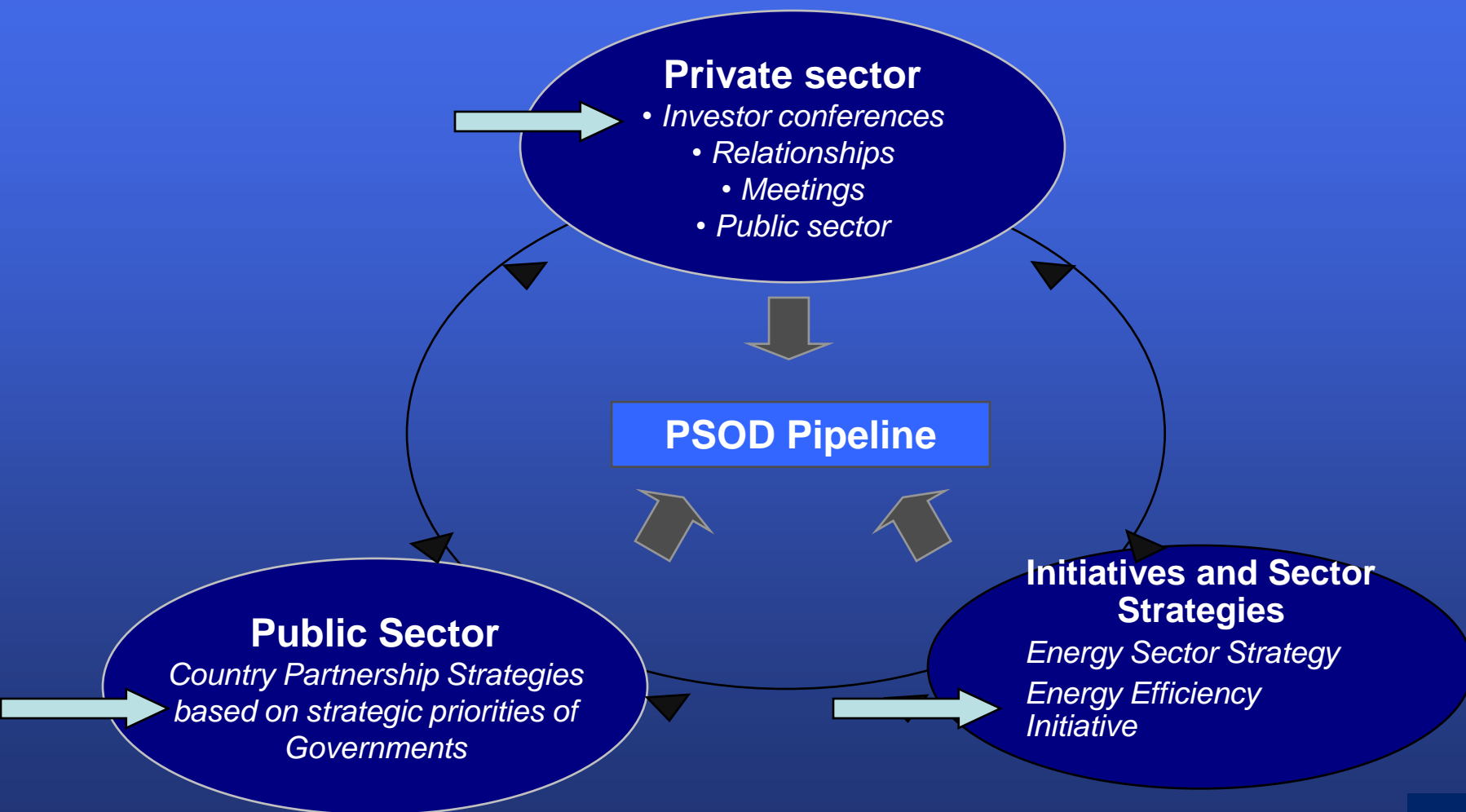
Program Contractual Arrangement



Development Impacts

- ❖ Reduces growth of greenhouse gases (GHGs) and other pollutants.
- ❖ Aligned with the Government's strategic priorities for energy and the environment.
- ❖ Aims to improve demand-side energy efficiency.
- ❖ Offers financing and technical capacity, which is currently unavailable for commercial banks.

Project Sourcing



Case Study 4

INO: West Jakarta Water Supply

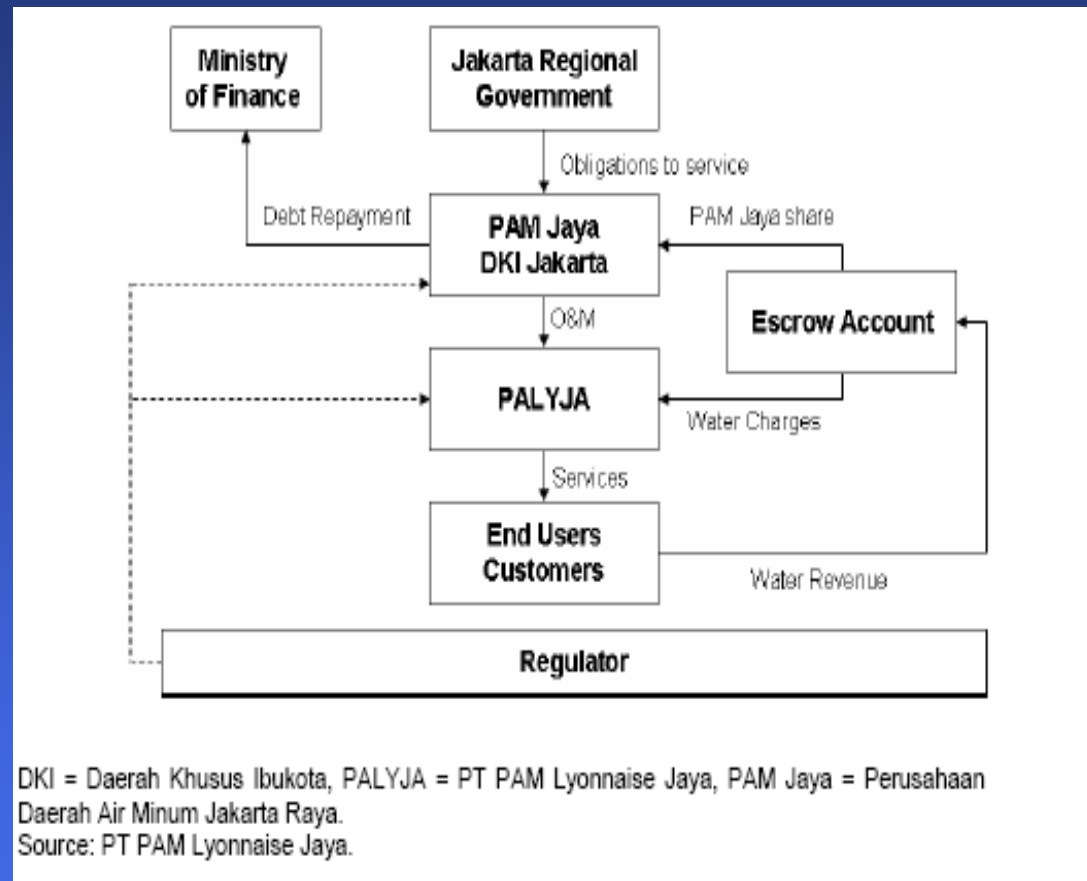
Transaction Outline

- ❖ Supply water in West Jakarta under a 25-year concession agreement
- ❖ Serving more than 350,000 end users in Jakarta, many of which are low-income
- ❖ Subsidiary of Suez Group
- ❖ The company needs \$120 million capital expenditure in 5 years
- ❖ ADB provided financial assistance of \$50 million in local currency with 2-year drawdown



Revenue Sharing under Concession

- ❖ Concession de-links water charge received by PALYJA (flat, adjusted) and tariff collected from consumers (differentiated)
- ❖ Tariff revenue collected by PALYJA and put into escrow account
- ❖ Escrow funds split between PALYJA and government
- ❖ Advantages:
 - Decreases the incentive for selective servicing by the concessionaires
 - Balances out the revenue received by the concessionaires
 - Allows the Government greater flexibility in the timing of tariff increases and tiered pricing system for customers.
- ❖ One main disadvantage: when Water Charge > Water Tariff
- ❖ Rebasing every 5 years

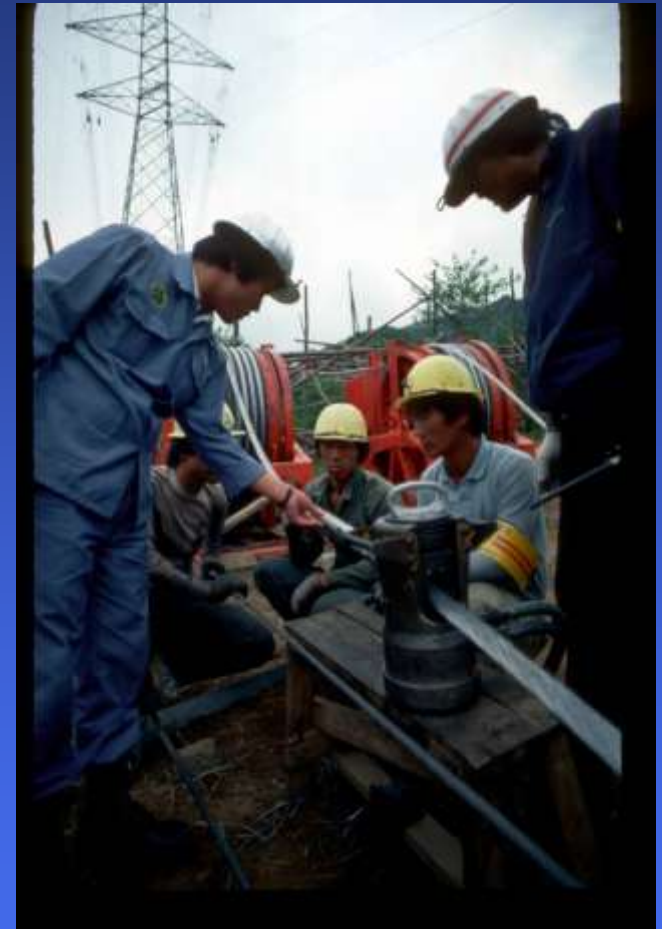


Case Study 5

CAM: Cambodia Transmission Line Project

Transaction Outline

- ❖ Cambodia suffers from insufficient, expensive electricity due to fragmented power system
- ❖ 221 km 115kv BOT transmission line to import electricity from Thailand
- ❖ Connects the major towns of Siem Reap and Battambang, and rural communities along the new lines
- ❖ ADB provided a \$7 million long tenor loan



Development Impacts

- ❖ First privately owned high-voltage transmission line in the GMS, setting a valuable PPP financing benchmark for Cambodia.
- ❖ First project in Cambodia to attract long-term local commercial-bank financing due to a well-conceived contractual, legal, and financial structure
- ❖ Promotes regional cooperation and integration in the Greater Mekong Subregion.
- ❖ Supporting projects in poor areas, private sector participation through PPPs, and least-cost production that minimize harmful environmental and social effects
- ❖ Expected to reduce an estimated 20 million liters of fuel imports annually