PRIVATE SECTOR OPERATIONS IN 2021

REPORT ON DEVELOPMENT EFFECTIVENESS

MAY 2022

ASIAN DEVELOPMENT BANK

ADB

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FOREWORD

In 2021, the Private Sector Operations Department (PSOD) recorded a number of impressive achievements despite the uncertainties presented by the ongoing coronavirus disease (COVID-19) pandemic. By remaining strongly focused on its operational priorities, PSOD was able to exceed its target with a record 80% of projects with gender equity and mainstreaming components and 57% of projects supporting new sectors or markets. The amount of cofinancing raised relative to Asian Development Bank (ADB) resources topped expectations, including $6 billion raised for COVID-19 response. For the bank, particularly impressive was strong cross-departmental cooperation using a client-centric, One ADB approach to share skills, knowledge, and experience to maximize development impacts of projects for developing member countries. The Trade and Supply Chain Finance Program and the Microfinance Program were also critically important in supporting ADB responses to COVID-19, with record numbers of transactions after funds were repurposed to focus on imports and exports of essential goods, as well as vaccines. ADB Ventures innovatively delivered high-impact, climate tech-enabled solutions across developing Asia, through early-stage equity investments across energy efficiency, electric mobility, smart infrastructure, and smart grids.

As ADB positions to play a vital part in leading Asia and the Pacific out of the pandemic against a backdrop of lingering economic fragility, fiscal constraints, and geopolitical uncertainty, the private sector more than ever will need to be at the forefront—mobilizing high-impact capital, and providing innovations and new technologies that can help the region build back better. ADB must continue to support developing member countries as they look to strengthen their finances and health care systems, close gender and education gaps, attain Sustainable Development Goals, and build smart and inclusive infrastructure in partnership with the private sector.

Expectations for PSOD are high with the need to demonstrate both strong additionality and development impacts in its operations, while remaining within limits of risk tolerance. I have high hopes in PSOD's ability to continue delivering market-responsive and integrated solutions to our clients on critical issues like climate change, where we are expected to substantially scale up our operations, across both climate mitigation and adaptation, in the coming years.

As we emerge from the pandemic toward recovery, 2022 looks to be a more promising year than the previous 12 months. With vision, teamwork, and innovation, I expect PSOD to meet challenges head on and remain a key partner of choice for our private sector clients in developing member countries, providing timely, relevant support for both present and future needs. Alongside corporate initiatives to transform the way we work and collaborate with our partners, I also expect PSOD to efficiently deliver greater development impact.

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

PHARMACY

PREFACE

The Private Sector Operations Department (PSOD) responded well to the challenges of 2021, with a number of landmark projects committed and special initiatives put in place to improve the impact and effectiveness of its work. Over the course of the year, PSOD made its first private sector housing project investment in Central and West Asia, and its first-ever private sector investment in animal health was committed to support quality livestock production. The first private sector loan from the Asian Development Bank (ADB) to the airline sector was made, and a pivotal investment in Sri Lanka provided much-needed countercyclical support at a time of extreme fragility in the economy.

To support and promote gender-responsive financing from financial institutions, PSOD created and launched the Women's Finance Exchange digital knowledge portal—a first for ADB. PSOD also entered into a private sector knowledge collaboration agreement to protect ocean health. As part of its knowledge sharing commitments, the Trade and Supply Chain Finance Program conducted webinars and online training for over 2,200 staff across 175 banks in 50 countries.

With ADB elevating its ambition for climate finance to $100 billion between 2019 and 2030, including $12 billion for private sector operations, PSOD will continue to be agile and innovative to support this ambition. As the region gradually recovers, PSOD expects to see opportunities to increase support for the number of climate-related projects it undertakes. Beyond increased climate commitments, PSOD will continue its operational focus on investments to advance the development goals of Strategy 2030 and it will seek to build partnerships that can deliver increased value and benefits to clients.

The report was prepared by a PSOD team led by Jamie Kho, Results Management Specialist, Private Sector Transaction Support Division. It benefited from the guidance of Christopher Thieme, Deputy Director General. Team members included Ulritz Uzein Corcuera, Catherine Jane Nequinto, Bab Joy Marasigan, and Ma. Cherriemae Bejo. Michael Barker and Cherry Lynn Zafaralla drafted and edited the report, Joe Mark Ganaban performed typesetting, and Edith Creus designed the cover and infographics. The Department of Communications planned and coordinated the dissemination of the report, while the Corporate Services Department printed the report.

Contributions and feedback were received from Mark Kunzer, Director, Private Sector Transaction Support Division; Shantanu Chakraborty, Director, Infrastructure Finance Division 1 (Central and West Asia and South Asia); Jackie Surtani, Director, Infrastructure Finance Division 2 (East Asia, Southeast Asia and the Pacific); Christine Engstrom, Director, Financial Institutions Division; Janette Hall, Director, Investment Funds and Special Initiatives Division; Martin Lemoine, Unit Head, Agribusiness Investment Team; Aniruddha Patil, Unit Head, Social Sectors Team; Steven Beck, Advisor and Head of Trade and Supply Chain Finance; Anshukant Taneja, Program Lead, Microfinance Program; and Bart Raemaekers, Advisor and Head, Guarantees and Syndications Unit.

This report is a key ADB publication for informing stakeholders and partners about PSOD's operations and details best practices and experiences that can be shared. We welcome your feedback as we continue to engage with the private sector in support of innovation, development, and sustainable and inclusive growth.

SUZANNE C. GABOURY
Director General, Private Sector Operations Department
Asian Development Bank

ABBREVIATIONS

ADB	Asian Development Bank
COVID-19	coronavirus disease
DMC	developing member country
GHG	greenhouse gas
MFI	microfinance institution
MSMEs	micro, small, and medium-sized enterprises
PRC	People's Republic of China
PSOD	Private Sector Operations Department
SMEs	small and medium-sized enterprises

EXECUTIVE SUMMARY

The ongoing coronavirus disease (COVID-19) pandemic continued to place huge strains on health services and economies in Asia and the Pacific in 2021, restricting access to much-needed business investment and finance for vulnerable groups, including small and medium-sized enterprises (SMEs), women, and the poor. The Private Sector Operations Department (PSOD) strongly supported the Asian Development Bank (ADB) priority focus on helping developing member countries (DMCs) respond to the pandemic. A total of 35 PSOD projects, with investments of $1.2 billion were committed, with eight of the projects responding to direct and indirect impacts of COVID-19. They included assistance for agribusinesses, private health care providers, SMEs, and transport operators, which allowed them to maintain operations, expand businesses, preserve jobs, and protect food security.

Significant COVID-19 response initiatives included the provision of debt finance to a health services company to provide hundreds of isolation beds and ventilators for hospitals and clinics across India, as well as a loan to a major animal protein producer in Asia that will help preserve 5,300 jobs and at least 120 farming supply contracts in countries across South and Southeast Asia.

Commitments from the Trade and Supply Chain Finance Program, meanwhile, exceeded $2.8 billion, with all but $25 million provided for pandemic-related assistance to SMEs; support for intraregional trade; and distribution of medicines, medical equipment, and COVID-19 test kits. Total cofinancing for COVID-19 related program support reached $5.5 billion.

The Microfinance Program, which supports commercial lenders with partial credit cover for loans extended to microfinance institutions, provided $482.5 million in loans to microfinance institutions. These were on lent to 1.5 million individual borrowers. It was the highest annual volume of loans to-date under the program.

Operational Priorities

In step with ADB's Strategy 2030 priorities, the Operational Plan for Private Sector Operations places a strong focus on empowering women, scaling up support for projects that address climate change, and investing in challenging and new markets and sectors.

In 2021, 57% of private sector projects were committed to supporting operational diversification. These included investments in frontier economies including those in fragile and conflict-affected situations; in small island developing states; and/or in newer sectors including agribusiness, health, information and communication technology, transport, and water and other urban infrastructure and services.

The first private sector loan in Fiji helped restore the operations of the national airline that were suspended during the pandemic, while an investment in Papua New Guinea is supporting the rollout of a new telecommunications provider, which is expected to significantly expand access to mobile services.

All committed projects incorporated gender elements in their design, with 80% directly supporting gender equality and mainstreaming. These included investments in a top-tier bank in Viet Nam to allow it to scale up financing for women-owned and women-led SMEs, and in a retail housing finance provider in India to help women purchase affordable, climate-resilient homes.

Over a third of projects supported climate change mitigation and adaptation actions, including a solar park investment in one of the main energy demand centers in Cambodia, and a wind power project in Viet Nam that is one of the earliest and largest wind farm developments in the country.

While market uncertainty driven by the pandemic affected the investment environment in 2021, PSOD was still able to crowd in substantial levels of cofinancing for its operations, supported by ADB's experience and expertise in arranging project financing deals. PSOD catalyzed almost $1.8 billion in long-term cofinancing, increasing ADB's long-term cofinancing to $2.2 raised for every $1 of private sector assistance from ADB's own resources. ADB remains committed to its 2030 goal of tapping $2.5 in long-term cofinancing for each dollar of its resources.

The financing partnership facility, ADB Ventures, made seven equity investments in early-stage businesses in 2021, most of which are providing technology solutions to issues related to climate change. ADB Ventures also invested in two financial technology companies that aim to provide microcredit to about 120,000 small businesses and extend financial literacy education to at least 400,000 low-and middle-income workers in Indonesia.

To support a shift away from paper to digital transactions for trade, the Trade and Supply Chain Finance Program and the Digital Standards Initiative continued to work with DMCs in 2021 to help them adopt a Model Law on Electronic Transferable Records. This United Nations-developed system enables digital documentation to be considered as lawful and valid as paper documents.

In 2021, ADB launched the interactive online platform Women's Finance Exchange to support financial institutions and their women borrowers, and rolled out the Gender Equality Scorecard for its private equity clients. The scorecard allows clients to assess the potential gender impact of investments in target companies.

Expected Results from Projects Committed in 2021

Committed PSOD projects over the course of 2021 are expected to provide broad benefits, including delivering 1.1 million reverse transcription polymerase chain reaction COVID-19 tests a year; reducing more than 560,800 tons of greenhouse gas emissions a year; and supporting over 622,200 micro, small, and medium-sized enterprises.

Results Delivered by Projects in the Portfolio

In its active portfolio, PSOD projects have distributed about 372.6 million antiviral medications; created almost 520,000 jobs; and are delivering over 57,800 gigawatt-hours of electricity a year. Projects have also benefited almost 40 million micro, small, and medium-sized enterprises and assisted more than 10 million farmers.

Conclusion

Despite the ongoing difficulties posed by the pandemic, PSOD was able to exceed its own target for the number of projects with gender equity and mainstreaming elements, and surpassed expectations on long-term cofinancing as it worked closely and effectively with both commercial and noncommercial partners. Transactions under the Trade and Supply Chain Finance Program and the Microfinance Program reached record levels, and contributed significantly to ADB's overall operational results in 2021. Commitments for projects supporting climate change mitigation and adaptation were lower than expected, reflecting challenges from the pandemic, but PSOD will be looking to scale up operations in this area in the future, as it supports ADB's ambition to accelerate climate financing by 2030.

A laboratory technician at a hospital in India. In 2021, ADB provided debt assistance to help Indian health providers finance equipment, testing, and staff training in response to the COVID-19 pandemic (photo by ADB).

INTRODUCTION

While Asia and the Pacific saw economic growth rebound in 2021, following a contraction in 2020, the coronavirus disease (COVID-19) pandemic continued to weigh heavily on the region with vaccination rates uneven and new strains of the virus causing fresh outbreaks, resulting in divergent recoveries among the developing member countries (DMCs) of the Asian Development Bank (ADB).[1] The region's largest economies—the People's Republic of China (PRC) and India—benefited from rises in foreign trade and commodity prices but tourist-dependent economies, especially in the Pacific, continued to be badly affected by the sharp reduction in international travel. Larger DMCs in Southeast Asia saw their recoveries weighed down by repeated waves of COVID-19 infections.

The poor and other vulnerable groups, including women, continue to be the most affected by the crisis. ADB estimates that the pandemic has set back progress on poverty reduction in Asia and the Pacific by at least 2 years, exacerbating food insecurity, reducing vital remittance flows from migrant workers, and causing serious learning losses as a result of school closures.

As the region looks to the future, the Private Sector Operations Department (PSOD), with ADB resources and knowledge, and working with partners, will help DMCs revive their economies and deliver sustainable and inclusive growth. The Trade and Supply Chain Finance Program will continue to play an important role in this process by bridging gaps in trade finance and by supporting the development of small and medium-sized enterprises (SMEs) that are the lifeblood of DMC economies.

[1] ADB. 2021. *Asian Development Outlook 2021 Update*. Manila. https://www.adb.org/publications/asian-development-outlook-2021-update.

Greenhouse owner, Uzbekistan. Private sector operations in 2021 put a strong focus on assisting micro, small, and medium-sized enterprises, including those owned and led by women (photo by ADB).

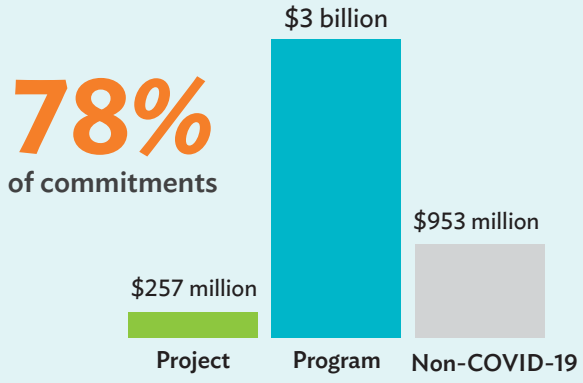
OPERATIONAL OVERVIEW

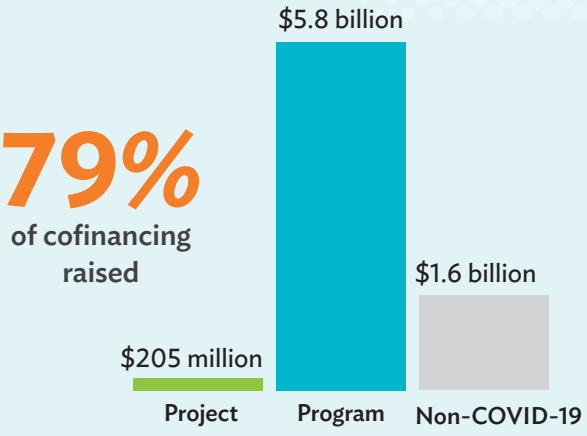
Private sector operations in 2021 were dominated by support for DMCs to respond to the impacts of the COVID-19 pandemic, with 78% of $4.3 billion in project and program commitments dedicated for that purpose. Over half of total commitments were in new sectors or frontier markets, highlighting the focus of PSOD to expand and diversify its operations, in line with its operational plan. All 35 projects incorporated gender features designed to promote gender equality, and 34% included climate finance. Beyond its main project and program work, PSOD special initiatives, such as the financing partnership facility, ADB Ventures, made important investments in early-stage businesses, while the development of an online Women's Finance Exchange and Gender Equality Scorecard is helping to support women borrowers and make gender impact a key consideration in equity fund investments.

To help DMCs respond to the pandemic, ADB committed $13.5 billion in assistance for vaccine procurement; rapid-disbursing financing for governments; investments in education, health and social protection; knowledge solutions; and private sector investment.

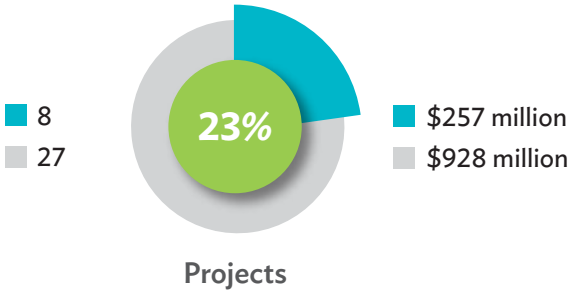
In its private sector operations to help address both direct and indirect impacts of COVID-19, ADB extended $3.3 billion in project and program assistance.

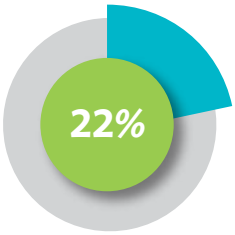
Private Sector Operations COVID-19 Response Initiatives



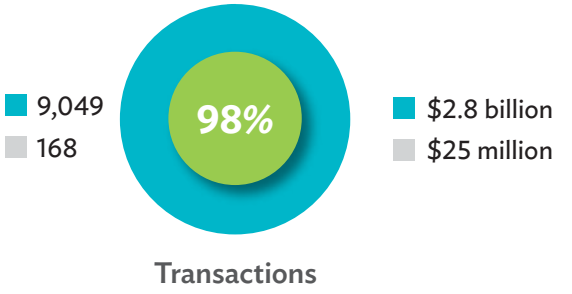


PROJECTS

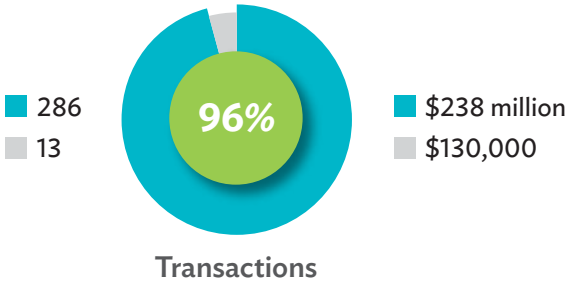




TRADE AND SUPPLY CHAIN FINANCE PROGRAM



MICROFINANCE PROGRAM



COVID-19 Response Non-COVID-19 Response

COVID-19 = coronavirus disease.

Note: Numbers may not sum precisely because of rounding.

PRIVATE SECTOR OPERATIONS DEPARTMENT COMMITMENTS, 2021 35 projects, $1.2 billion

- Agriculture
- Clean Energy
- Energy (Other)
- Information and Communication Technology
- Finance
- Health
- Transport
- Water and Other Urban Infrastructure and Services

Uzbekistan, $31 million
- Hamkorbank Expanding Access to Credit for Micro, Small, and Medium-Sized Enterprises and Agriculture Borrowers Project
- Korzinka COVID-19 Food Retail Supply Chain Support Project

Georgia, $160 million
- Bank of Georgia COVID-19 Response to Support Micro, Small, and Medium-Sized Enterprises
- Georgian Railway Green Bond Project
- M Square Affordable Housing Project

Armenia, $20 million
- ENA Investment Program Phase 2

Azerbaijan, $6 million
- Avrora COVID-19 Staple Food Supply Chain Support Project

India, $273 million
- COVID-19 Hospital Service Delivery Project
- Krsnaa COVID-19 Diagnostic Services Project
- IIFLHF Supporting Access to Affordable Green Housing for Women Project
- Shubham Housing Supporting Affordable Housing in Semi- and Peri-Urban Areas
- Bengaluru Smart Energy Efficient Power Distribution Project
- Zenex Improved Animal Health and Welfare Project
- GRIL Phase II Highway Equipment Finance Project
- DBL Highway Project

Sri Lanka, $25 million
- John Keells Modern Retail Infrastructure Expansion Project

Regional, $250 million
- ECOM COVID-19 Smallholder Farmer Climate Resilience and Livelihood Support Project
- New Hope COVID-19 Working Capital Support Project
- Investment in Northstar Equity Partners V Limited
- Investment in Lombard Asia V, L.P.
- Investment in Creador V L.P.
- PAG Growth II, L.P.

People's Republic of China, $145 million
- CD Finance Management Expanding Access to Finance for Farmers and Microentrepreneurs Project
- Zhujiang Financial Leasing Small and Medium-Sized Enterprises Finance Project
- Henan Tian Lun Resilient Energy Supply Project
- Tianzow Advanced Pig Breeding Stock Project

Cambodia, $5 million
- Prime Road National Solar Park Project

Viet Nam, $185 million
- Lotus Wind Power Project
- B.Grimm Viet Nam Solar Power Project - Dau Tieng Project
- Tien Phong Bank Expanding Access to Finance for Small and Medium-Sized Enterprises Owned and Led by Women Project
- Vietnam International Bank Supporting Small and Medium-Sized Enterprises and Improving Living Conditions Project

Papua New Guinea, $25 million
- Pacific Telecommunications Modernization Project

Indonesia, $10 million
- Cimory Inclusive Dairy Value Chain Project

Thailand, $11 million
- GreenYellow Rooftop Solar Project

Fiji, $40 million
- Fiji Airways COVID-19 Liquidity Support Facility

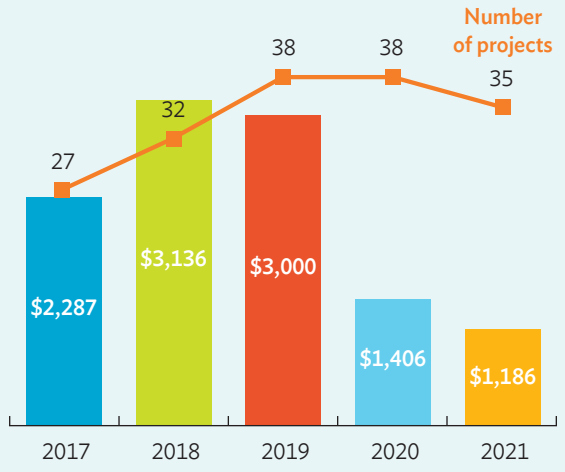
Note: *This map shows ADB regional members only.*
This map was produced by the cartography unit of the Asian Development Bank. The boundaries, colors, denominations, and any other information shown on this map do not imply, on the part of the Asian Development Bank, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries, colors, denominations, or information.
Source: Asian Development Bank (Private Sector Operations Department).

In 2021, the number of committed projects reached 35, compared to the record level of 38 in 2020 (Figure 1), reflecting challenging conditions for investment and project processing created by the pandemic.

The projects covered 13 DMCs and included 6 regional projects. There were a number of landmark projects during the year including the first private sector housing project investment in Central and West Asia, a first private sector venture in animal health, and a first-ever private sector loan to both the airline sector and to Fiji. ADB also provided nonsovereign and sovereign loans to India in a first-of-its-kind financing arrangement for the bank, and PSOD along with partners, structured a financing deal for a solar project in Thailand that is expected to serve as a potential model for the funding of future commercial solar rooftop systems.

Finance and agriculture were the largest sectors in 2021 (Figure 2 and Figure 3) with projects that helped banks and microfinance institutions

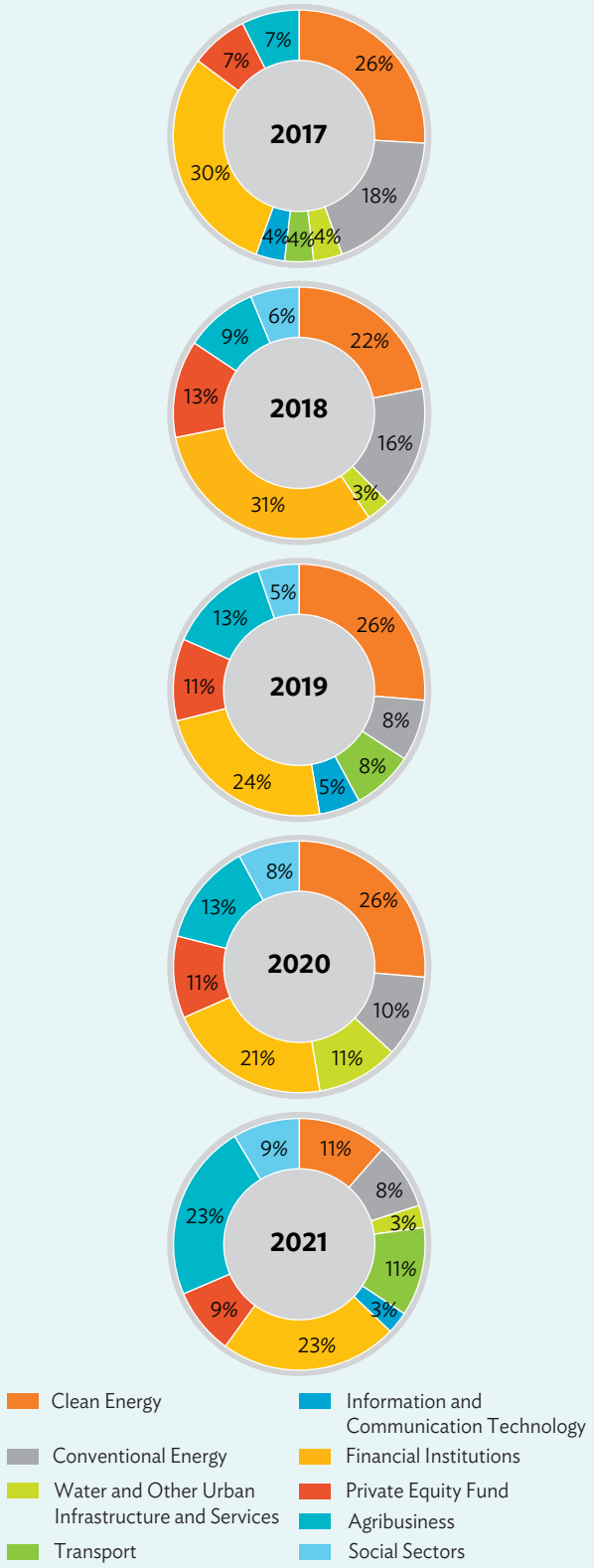
Figure 1: Private Sector Projects Committed, 2017–2021



Note: Amounts in $ million.

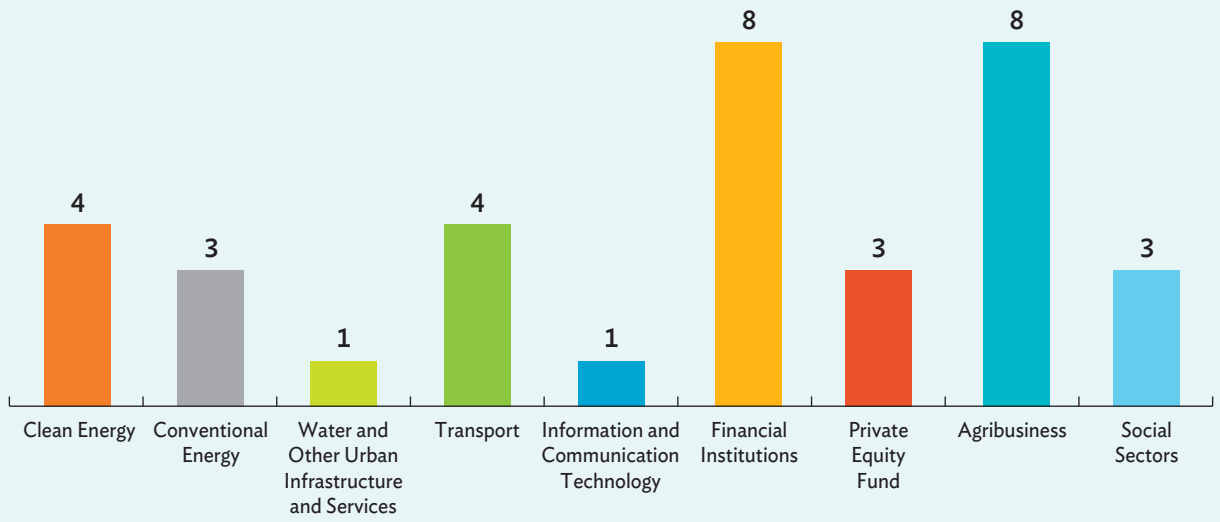
Source: Asian Development Bank (Private Sector Operations Department).

Figure 2: Distribution of Private Sector Projects Committed, 2017–2021



Source: Asian Development Bank (Private Sector Operations Department).

Figure 3: Private Sector Projects Committed, 2021



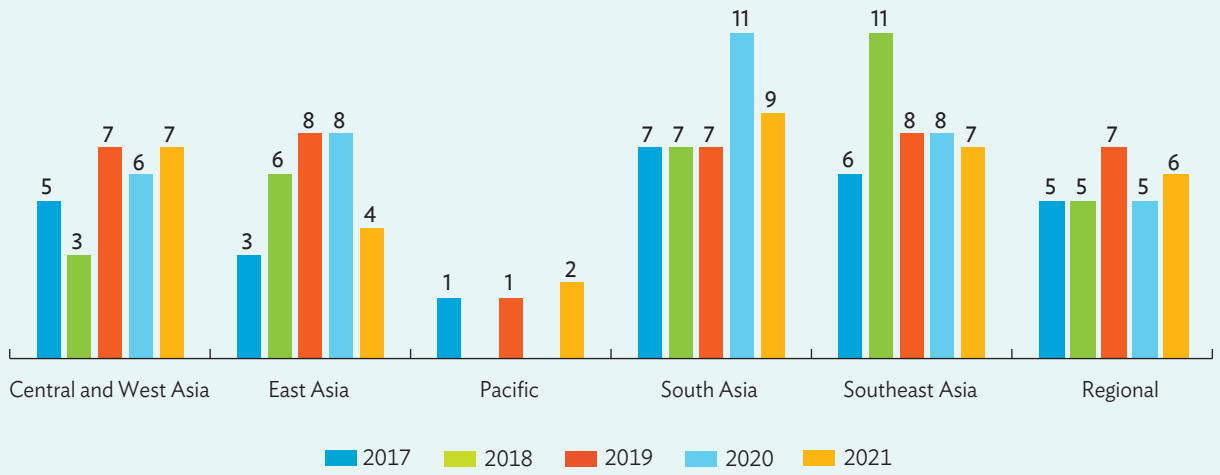
Source: Asian Development Bank (Private Sector Operations Department).

provide much-needed support to micro, small, and medium-sized enterprises (MSMEs) and working capital to help agribusinesses cover expenses, expand production, maintain supply contracts with farmers, and preserve employee jobs. Energy sector projects were also prominent, with solar and wind investments in Cambodia, Viet Nam, and Thailand, and assistance for electricity and gas distributors in Armenia, India, and the PRC to upgrade networks and maintain customer supplies that have been disrupted by the pandemic.

South Asia emerged as the region with the highest number of committed projects in 2021 (Figure 4), with nine investments supporting agribusiness development, power distribution, health service providers responding to COVID-19, affordable housing, and highway development. It was followed by Central and West Asia and Southeast Asia, which had seven projects each. In Central and West Asia, assistance was provided for the rehabilitation of the power distribution network in Armenia; for agribusinesses in Azerbaijan and Uzbekistan; and for affordable housing, MSMEs, and railway modernization in Georgia.

In Southeast Asia, projects are helping to develop solar and wind power resources in Cambodia and Viet Nam, to expand assistance for SMEs in Viet Nam, and to grow the business of a leading dairy company in Indonesia. The six regionally focused projects include investments in equity funds targeted at companies contributing to growth, job creation, trade and technology development, as well as support for agribusinesses with production facilities and supplier links to thousands of smallholder farmers across Asia. There were also two projects in small island developing states in the Pacific, including the first ever private sector loan for Fiji.

Figure 4: Private Sector Projects Committed by Region, 2017–2021



Source: Asian Development Bank (Private Sector Operations Department).

ADB sets results targets for projects to help measure the impact and development effectiveness of its operations. In the health sector, debt support for two hospital and diagnostic service providers in India is expected to result in about 1.1 million COVID-19 reverse transcription polymerase chain reaction or RT-PCR tests being conducted a year, with 930 health care workers trained in responding and providing COVID-19 diagnostic services, infection prevention, control, and treatment.

Investments supporting MSMEs are expected to benefit 622,206 MSMEs, with 576,400 of them being rural microbusinesses in the PRC engaged in agriculture, trading, logistics, and handicraft making. Meanwhile, agribusiness commitments will support improved incomes and livelihoods for 13,094 new farmers.

Investments in solar and wind power projects in Cambodia, Thailand, and Viet Nam are expected to deliver a combined 504.3 megawatts in additional renewable energy capacity, while committed transactions in the energy sector are expected to reduce Asia and the Pacific's greenhouse gas (GHG) emissions by 560,876 tons of carbon dioxide equivalent a year.

In the transport sector, projects will help reach 2.1 million passengers annually, and an investment to establish a new telecommunications services provider in Papua New Guinea aims to construct 750 telecommunications towers and reach 3.5 million subscribers.

Results Expected from Projects Committed in 2021

Workers employed
154,633

MSME beneficiaries
622,206

MSME beneficiaries (female)
421,198

People trained
93,253

New farmers reached
13,094

Passengers reached
2.1 million

GHG emissions reduced
560,876 tCO_2e/year

Power distribution lines upgraded
7,885 km

Power delivered
966.1 GWh/year

Energy generation capacity
504.3 MW

Wastewater treatment capacity
30,000 m^3/year

Solid waste treatment capacity
7,000 t/year

COVID-19 RT-PCR tests conducted
1.1 million tests/year

Health care workers trained for COVID-19
930

Telecommunications subscribers reached
3.5 million

Telecommunications towers built
750

COVID-19 = coronavirus disease; GHG = greenhouse gas; GWh = gigawatt-hour; m^3 = cubic meter; km = kilometer; MSME = micro, small, and medium-sized enterprise; MW = megawatt; RT-PCR = reverse transcription polymerase chain reaction; t = ton; tCO_2e = ton of carbon dioxide equivalent.

Source: Asian Development Bank (Private Sector Operations Department).

Results Delivered by PSOD's Active Portfolio as of 2021

Workers employed
519,927

MSME beneficiaries
40 million

MSME beneficiaries (female)
37.5 million

Antiviral medications distributed
372.6 million

Workers employed (female)
107,517

Farmers reached
10.1 million

Students reached
4 million

Patients served
914,212

People trained
691,232

Women trained
609,872

Telecommunications subscribers reached
3.6 million

GHG emissions reduced
37.6 million tCO_2e/year

Households with access to power
46,426

Households with access to water
888,607

Government revenues
$2 billion

Power delivered
57,887 GWh/year

Houses built
319,905

Potable water produced
484.3 million m^3/year

Generation capacity
18,900 MW

Wastewater treated
513,070 m^3/year

Export sales
$127 million

GHG = greenhouse gas; GWh = gigawatt-hour; m^3 = cubic meter; MSME = micro, small, and medium-sized enterprise; MW = megawatt; tCO_2e = ton of carbon dioxide equivalent.
Source: Asian Development Bank (Private Sector Operations Department).

The PSOD active portfolio of projects has delivered broad benefits across sectors. An ADB loan to Jointown Pharmaceutical Group Co., Ltd. (Jointown) to support the company's short-term working capital needs saw it distribute about 372.6 million antiviral medications across the PRC by the first quarter of 2021, substantially exceeding its target of 60 million. As a result of the ADB assistance, Jointown also supplied about 26.8 million pieces of personal protective equipment and 587.2 million hygiene products to help limit the spread of COVID-19.

The portfolio of projects also helped create 519,527 new jobs, including 107,517 for women, at a time that many companies have been downsizing their workforce because of the pandemic. Through the provision of credit lines to banks, nonbank financial institutions, and microfinance institutions, PSOD projects have benefited almost 40 million MSMEs, including women-owned businesses, contract farmers or suppliers, and microentrepreneurs.

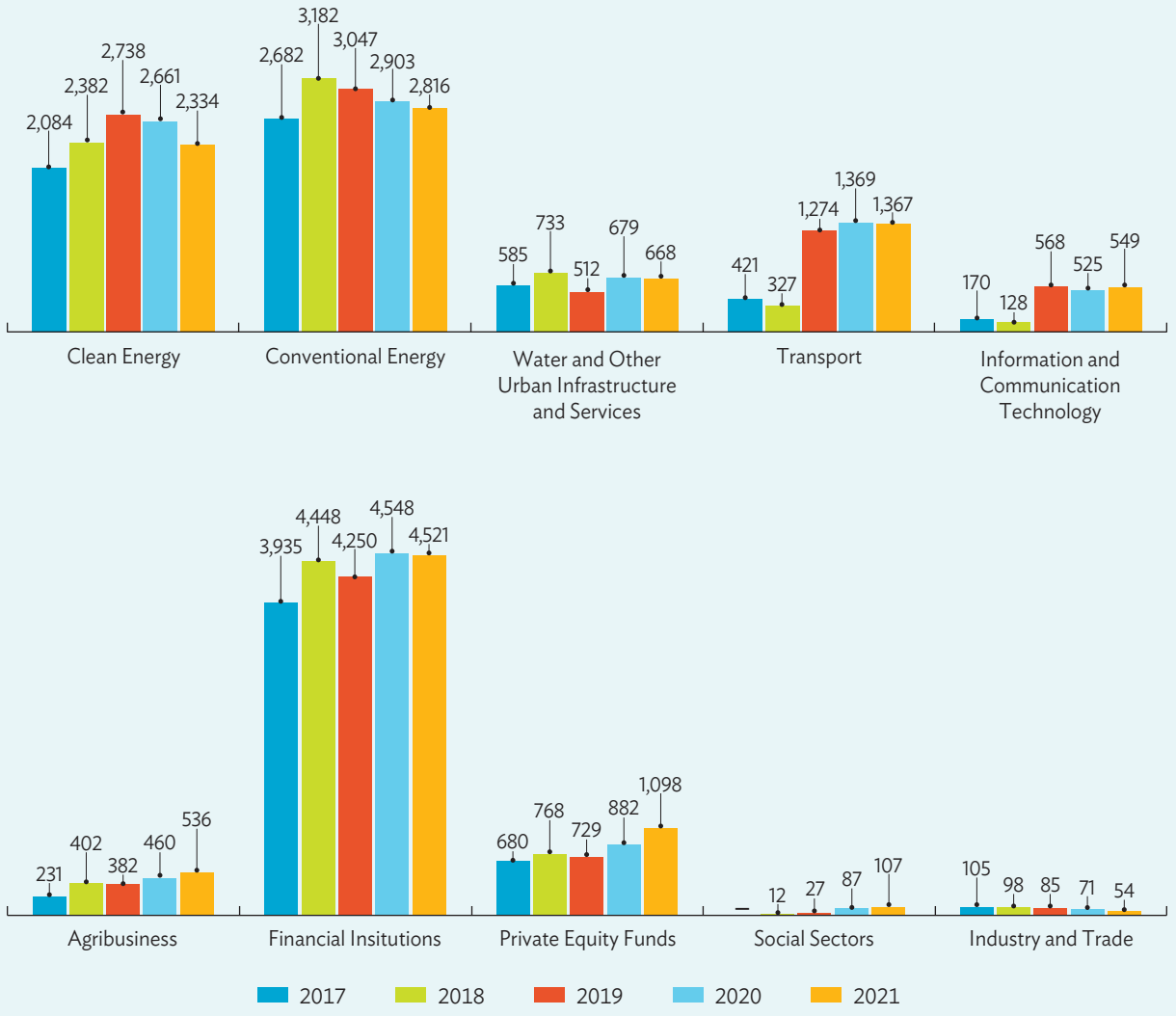
In the energy sector, projects have helped increase the available supply of power in the region by helping to finance the construction of power plants with installed generation capacity of 18,900 megawatts, resulting in the delivery of an additional 57,887 gigawatt-hours of electricity annually while providing 46,426 households with access to power. These energy projects include a cornerstone investment by ADB in one of the largest independent power producers in Thailand. PSOD operations are also helping to cut GHG emissions and improve climate resiliency, with the active portfolio of projects reducing more than 37.6 million tons of carbon dioxide equivalent emissions a year.

Souvenir store worker, Uzbekistan. PSOD's active portfolio of projects have benefited almost 40 million micro, small, and medium-sized enterprises, many of them owned and led by women (photo by ADB).

Agribusiness investments meanwhile, have benefited more than 10 million farmers, while other projects have helped beneficiaries build 319,905 homes, provided 888,607 households with access to a reliable supply of potable water, and reached over 3.6 million new telecommunications subscribers with reliable data connectivity services.

While the COVID-19 pandemic continued to weigh on operations in 2021, the PSOD active portfolio of projects (Figure 5) reached $14 billion in volume. Private equity funds totaled $1.1 billion, up 24% from the 2020 volume. The social sectors volume reached $107 million, up 24%, and agribusiness rose 16% to $536 million.

Figure 5: Private Sector Operations Department Portfolio, 2017–2021
($ million)



Source: Asian Development Bank (Private Sector Operations Department).

Private Sector Operations in 2021

EXPANDING PRIVATE SECTOR OPERATIONS

27% of ADB operations in private sector operations

CATALYZING FINANCIAL RESOURCES

$2.2 in long-term cofinancing for every $1 of own committed nonsovereign financing

EXPANDING AND DIVERSIFYING IN NEW AND FRONTIER MARKETS

57% of committed private sector operations in new sectors or frontier markets

A coffee farmer in Papua New Guinea. ADB assistance for ECOM Agroindustrial Corp. Ltd., the world's largest coffee miller, is helping support the livelihoods of thousands of smallholder farmers in India, Indonesia, Papua New Guinea, and Viet Nam (photo by ADB).

OPERATIONAL PRIORITIES THROUGH PRIVATE SECTOR OPERATIONS

Alignment with and Contribution to Strategy 2030

The Operational Plan for Private Sector Operations, 2019–2024 aims to ensure that PSOD's work is aligned with ADB's Strategy 2030 and its seven operational priorities: tackling remaining poverty, accelerating gender equality, addressing climate change, making cities more livable, supporting rural development and food security, strengthening governance and institutions, and promoting regional cooperation and integration.

To achieve this alignment, PSOD seeks to prioritize its operations in frontier and underserved markets, including countries in fragile and conflict-affected situations, and small island developing states. It is also focused on expanding its work into newer and challenging sectors, including agribusiness, education, health, environmental infrastructure, transport, and information and communication technology. Operations aim to benefit marginalized groups including women, reduce inequality, and support greater financial inclusion for SMEs. Through assistance in trade, cross-border connectivity and country integration can be boosted.

Supporting technological innovation and businesses that can contribute to ADB's development goals are other important focus areas under the operational plan. To achieve this, PSOD uses a wide range of financing tools and structures and seeks to maximize cofinancing to bridge financing gaps.

Addressing Remaining Poverty and Reducing Inequalities

In 2021, continued disruption to agricultural value chains and a lack of access to finance for small businesses again undermined livelihoods and worsened poverty. PSOD responded by helping agribusinesses preserve jobs and contracts with smallholder farmers, and by increasing the availability of funding for small businesses to help them maintain operations and expand.

In its first-ever private sector agribusiness project in Uzbekistan, ADB invested $11.9 million in Anglesey Food Foreign Enterprise LLC. The company, known as Korzinka, is the leading grocery retailer in Uzbekistan serving more than 710,000 households nationwide. Agriculture is the largest sector and employer in Uzbekistan, but the COVID-19 pandemic has caused severe food supply chain disruptions and the closure of market bazaars, resulting in income losses and uncertainty for farmers. The pandemic also caused a sharp spike in unemployment, while the number of people living in poverty increased by 500,000 between 2019 and 2020.

The investment will allow the company to build inventory buffers of essential food products, including wheat; make faster payments to risk-averse suppliers; and fund COVID-19 safety equipment. Continuing and expanding supply chain links with farm suppliers will protect the country's food security and preserve the livelihoods of more than 4,400 Korzinka employees and 1,200 farm workers.

◀ **Cabbage farmer, Azerbaijan.** ADB assistance for agribusinesses affected by the COVID-19 pandemic is enabling them to finance purchases and make faster payments to supplier farmers (photo by ADB).

Accelerating Progress in Gender Equality

The Asian Development Bank targets at least 75% of its operations to promote gender equality by 2030. As such, empowering women and narrowing gender gaps is a priority focus of PSOD. In 2021, all committed projects included gender features of which 80% directly supported gender equity and mainstreaming (Figure 6). Important investments were made for Bank of Georgia JSC, for Viet Nam's Tien Phong Commercial Joint Stock Bank (Box 1), and for Shubham Housing Development Finance Company Ltd, to increase access to finance for women-owned and women-led businesses, and to help women to acquire homes in India.

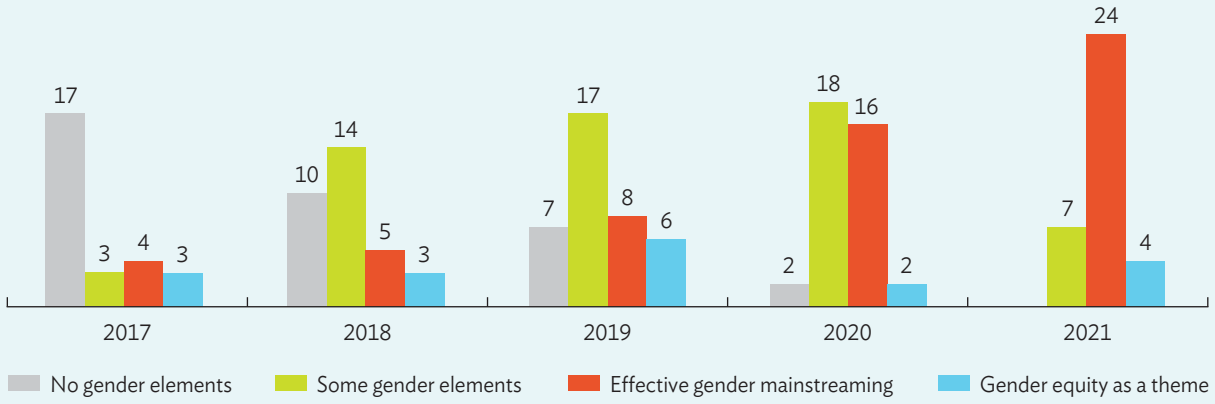
Bank of Georgia JSC is the second largest gross lender in Georgia and has the country's largest distribution network, but its ability to extend finance to clients, including MSMEs run by women, has been constrained by the pandemic.

To help Bank of Georgia meet client needs and expand its existing MSME customer base, ADB has provided a $100 million loan in Georgian lari equivalent. The loan, along with another $100 million loan in parallel cofinancing from the Japan International Cooperation Agency, is expected to see Bank of Georgia increase the number of its women-owned SME borrowers by over 70% by 2025. The project will also help it set up a special COVID-19 Women in Business Program for female entrepreneurs.

The project is closely aligned with the Government of Georgia's Anti-Crisis Economic Plan, which aims to minimize the economic damage caused by COVID-19. Women-owned and women-led enterprises have seen significant declines in revenue and higher rates of closure than male-owned businesses during the COVID-19 pandemic.

In India, insufficient income and traditional gender norms hamper women's ability to access finance to purchase homes, with just 13% of women using formal loans to purchase housing. To help women and low-income households in smaller cities acquire homes, ADB has committed to make an equity investment of $24.4 million in Shubham Housing Development Finance Company Ltd. (Shubham), which primarily targets lower income households in tier 2 and below cities. This will be ADB's first equity investment in a housing finance company.

Figure 6: Private Sector Projects Committed by Gender Classification, 2017–2021



Source: Asian Development Bank (Private Sector Operations Department).

Box 1

Innovative Financing Grows Lending to Women-Led Businesses in Viet Nam

▲ **Doing business in Viet Nam.** An ADB loan and performance-based grant will help Viet Nam's Tien Phong Bank boost lending and expand outreach to women-owned and women-led businesses (photo by Tien Phong Commercial Joint Stock Bank).

The financing gap for women-owned and women-led small and medium-sized enterprises (WSMEs) in Viet Nam is estimated at almost $1.2 billion, with female entrepreneurs receiving far fewer bank loans than their male counterparts, even as the average annual revenue of their businesses is similar to that of men. To help address this gap, the Asian Development Bank (ADB) and the Women Entrepreneurs Finance Initiative (We-Fi) are providing Tien Phong Commercial Joint Stock Bank (TPBank), one of Viet Nam's top-tier banks, with assistance to expand access to finance for WSMEs, which is a major but underserved market whose potential has yet to be fully tapped. Germany's Deutsche Investitions- und Entwicklungsgesellschaft mbH is also providing parallel cofinancing of $25 million.

The project will build robust digital platforms that would help meet the needs of TPBank's retail and small and medium-sized enterprise customers through innovative and customized products. The project is a first for ADB to blend a private sector loan with a performance-based grant. Through ADB's $25 million loan and We-Fi's performance-based grant of up to $750,000, TPBank can expand its lending to WSMEs, empower women entrepreneurs in Viet Nam, and contribute to broader economic growth.

The project includes incentives for TPBank to undertake reforms, with the grant to be disbursed only when the bank successfully implements gender measures laid out in a gender action plan. The gender plan includes requirements for TPBank to boost their WSMEs loan portfolio, increase their women borrower base, and develop new initiatives to enhance the adequacy of the bank's products and procedures to meet the needs of WSMEs. The plan also includes a gender financing gap assessment and revision of TPBank's management information system to include sex disaggregation for the first time.

Source: Asian Development Bank (Private Sector Operations Department).

Combined solar, wind farm. Over half of PSOD projects in the energy sector in 2021 were for renewable energy development (photo by ADB).

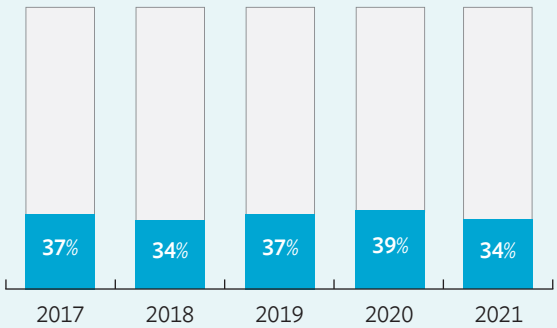
Shubham has 99 branches across nine states in India with about 75% of its loan portfolio made up of lower-income households. As a result of ADB assistance, the volume of Shubham's outstanding housing and home equity loans to low-income households is expected to more than double between fiscal year (FY) 2021 to FY2025, and the volume of the same loans to women will almost triple over that period. The project will aid the Government of India's goal of building 20 million affordable homes for the urban poor by 2022.

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

In ADB climate operations, PSOD plays an important role through projects that support the increased use of renewable energy; adopt energy efficiency measures; and use new and hybrid climate mitigation and adaptation technologies, including battery storage. PSOD is also active in developing innovative financing approaches needed to attract commercial cofinancing for climate projects that would otherwise struggle to get off the ground.

Over a third of projects in 2021 included finance for climate action (Figure 7) although this was below the 2020 level, reflecting the ongoing challenges facing investment and project processing amid the prolonged COVID-19 pandemic. Despite the difficult environment, PSOD made a number of significant renewable energy investments in 2021, including a solar rooftop project in Thailand (Box 2). It also supported the operations of electricity and gas distributors providing services to over 1.5 million customers.

Figure 7: Share of Committed Private Sector Projects with Climate Financing, 2017–2021



Source: Asian Development Bank (Private Sector Operations Department).

Box 2

Thailand Rooftop Solar Project Showcases New Financing Modality

A rooftop solar project in Thailand is showcasing a new financing structure for solar rooftop projects. The mix of long-term dollar- and baht-denominated loans provides a financing model for the development of future rooftop solar systems on a large scale.

Under the project, the Asian Development Bank (ADB) is providing an $11.2 million Thai baht equivalent loan to allow GreenYellow Solar 1 (Thailand) Co., Ltd. to build 92 solar systems, most of them roof-mounted, on the premises of large commercial and industrial consumers across the country. Energy generated from the systems will be sold under power purchase agreements for up to 20 years, after which ownership of the solar assets will be transferred to the consumers.

Another $11.3 million loan is being provided by the investment company responsAbility Investments AG, for which ADB acted as lender of record. In addition, an $11.2 million parallel loan was raised. ADB support for the project was crucial in helping mobilize cofinancing, as raising funds for the development of rooftop solar assets is typically difficult because of their small scale and perceived investment risk. GreenYellow Solar is indirectly owned by French-based GreenYellow SAS, which ADB has been working with to develop a viable financing structure to reduce transaction costs and perceived risks associated with rooftop solar projects.

▲ **Solar farm.** An ADB-assisted solar rooftop project in Thailand provides a model for the development of future large-scale rooftop systems (photo by ADB).

Source: Asian Development Bank (Private Sector Operations Department).

Women personnel at an electricity substation in India. In 2021, ADB helped strengthen the operations of electricity and gas distributors in Armenia, India, and the People's Republic of China (photo by ADB).

In 2021, ADB provided a $20 million project loan to privately owned Electric Networks of Armenia CJSC (ENA), Armenia's sole electricity distributor, for improvements that will allow the distributor to reduce its commercial and technical power losses and avoid over 4,000 tons of carbon dioxide emissions annually. ENA has been providing electricity and services to around 1 million customers, but since the 1990s, its assets have suffered from neglect and irregular maintenance. The ADB loan will help ENA rehabilitate and expand its network; modernize substations; and install modern, automated metering systems.

The loan will also support the second phase of ENA's investment program, which is to upgrade its network with cofinancing support raised by ADB from the Leading Asia's Private Infrastructure Fund (LEAP) and the European Bank for Reconstruction and Development. The cofinancing support gives the company access to long-term finance not readily available in Armenia. The ADB loan follows working capital assistance it provided to the company in 2020 to help it cope with financial strains caused by COVID-19.

Henan Tian Lun Gas Group Ltd. (HTL), a supplier of natural gas in 16 provinces and direct-administered municipalities in the PRC, has seen its ability to fully meet customer needs disrupted by the COVID-19 pandemic. The uninterrupted delivery of natural gas helps ensure that end users, both commercial and household, do not have to turn to alternate energy sources, including coal-generated grid electricity, for their power needs. In 2019, HTL was the implementation partner for an air pollution mitigation and clean fuel switching program of the ADB East Asia Department.

The $50.2 million yuan equivalent project loan from ADB will give the company the financial support it needs to sustain its operations and maintain its "last mile" supplies of natural gas to residential and business customers in Henan Province.

Along with filling a working capital financing gap in the local market, the new project will also promote gender inclusiveness, with at least 8,700 single mother-led households receiving continuous supplies of natural gas until the end of 2022 on favorable payment terms. Free supplies of childcare

and nutrition products will also be made available to these single mother-led households.

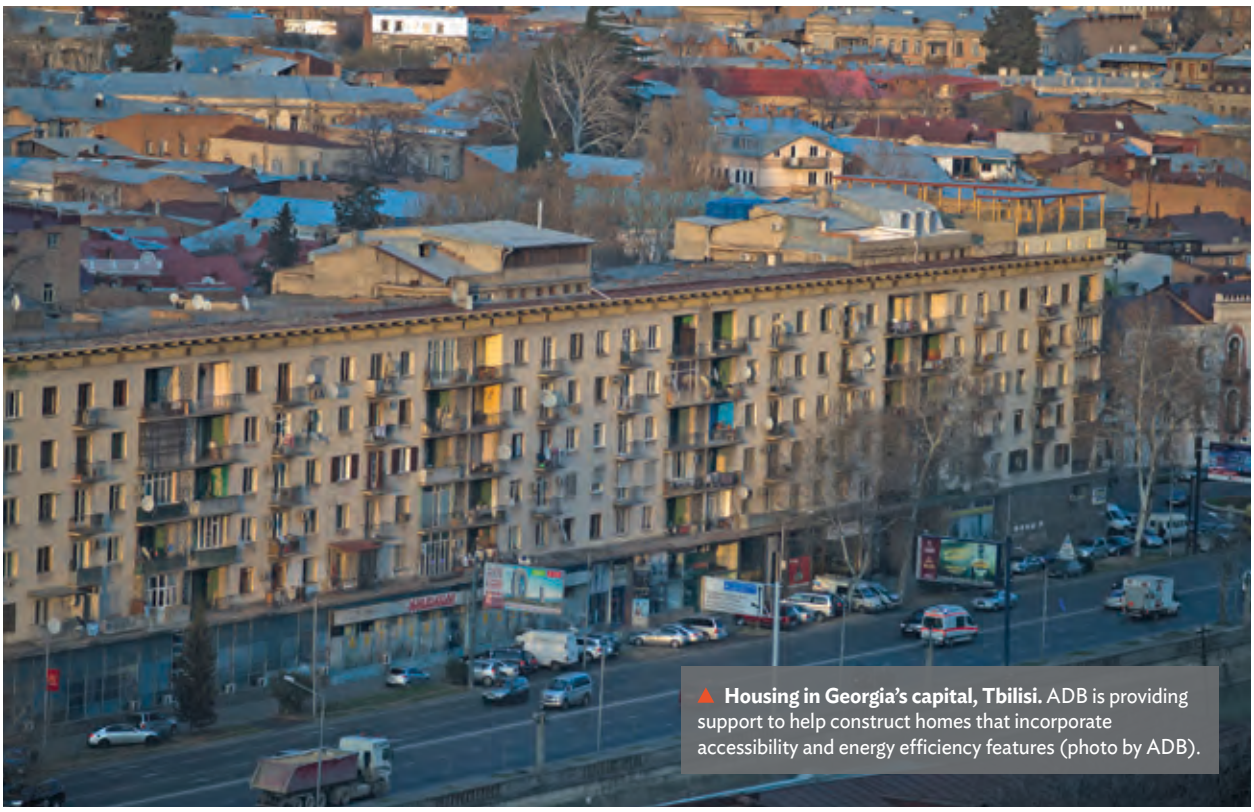
Making Cities More Livable

Urban areas in Asia and the Pacific face increasing pressures from traffic congestion, pollution, overcrowding and unequal access to housing and services. To make cities more livable, ADB private sector operations focus on investments in transport, energy, and environmental infrastructure and on the delivery of new technologies to make cities greener and more sustainable, such as waste-to-energy projects. Another important priority is expanding access to mortgage finance and home improvement loans for underserved groups.

ADB made its first private sector transaction in the housing sector in the Central and West Asia region in 2021 (Box 3). It also invested in a leading bank in Viet Nam to extend home improvement loans needed to support improved living conditions.

The urban population growth rate in Viet Nam is among the fastest of all Association of Southeast Asian Nations member countries but a large percentage of households experience poor living conditions and there is limited access to long-term housing finance.

A $100 million loan to the Vietnam International Commercial Joint Stock Bank (VIB) by ADB will allow VIB to expand financing to SMEs and boost its home improvements loans business, contributing to improved living conditions in urban areas. VIB, the 11th largest bank in Viet Nam, expects to provide cumulative loans for home improvements of at least $1.7 billion by 2023, up sharply from $525 million in 2020. Under the project, ADB is also acting as lender of record for a $160 million loan from commercial sources to the bank.



▲ **Housing in Georgia's capital, Tbilisi.** ADB is providing support to help construct homes that incorporate accessibility and energy efficiency features (photo by ADB).

Box 3

Georgia Housing Project Sets Standards for Inclusiveness, Accessibility

More than 80% of Tbilisi's apartment blocks were built prior to or during the Soviet era. A large proportion of these buildings are in poor condition and lack amenities such as green recreational areas, parking facilities, adequate elevators, and other conveniences. This causes problems for persons with disabilities, the elderly, and parents with small children.

Optima LLC is a subsidiary of the m^2 Group, one of Georgia's leading real estate developers and is known for building affordable, energy-efficient homes. In 2021, the Asian Development Bank (ADB) provided Optima with a $10 million loan that will help it complete the development of two residential housing complexes in Tbilisi. At least 60% of the 3,700 units to be built will be in the affordable category, with energy efficiency features incorporated in the design, which will avoid over 1,900 tons of carbon dioxide emissions each year.

The M Square Affordable Housing Project incorporates ADB-supported Inclusive Cities Guidelines that ensure that gender considerations and accessibility standards are included in the project design. This is ADB's first private sector transaction in the housing sector in Central and West Asia and is expected to have a market demonstration effect for future housing developments.

The project has been put together jointly by the Private Sector Operations Department and Central and West Asia Department, with support from ADB's Georgia Resident Mission. This One ADB approach aims to boost the development effectiveness of operations through cross-departmental collaboration.

▲ **Apartment block in Georgia.** An ADB-assisted housing project in Tbilisi includes design features to make homes accessible for persons with disabilities, the elderly, and parents with small children (photo by m^2 Group).

Source: Asian Development Bank (Private Sector Operations Department).

Worker at a dairy plant in Indonesia. An ADB equity investment in Cimory, Indonesia's leading manufacturer and distributor of dairy foods, will help more than triple its production capacity, supporting food security and livelihoods (photo by PT Cisarua Mountain Dairy).

Promoting Rural Development and Food Security

The COVID-19 pandemic has undermined rural livelihoods and food security and made it harder for small rural businesses to access the finance they need to grow. It disrupted global food value chains and undermined food security in low-income and lower-middle-income countries. Smallholder farmers have had difficulty selling their goods. Companies involved in food production have also been struggling to get the working capital they need to maintain operations and to preserve supply contracts with farmers.

In 2021, 29% of committed private sector projects aimed to promote rural development and food security; extend working capital to agribusinesses to maintain operations, jobs, and supply contracts with farmers; and provide assistance to microfinance institutions to expand lending to underserved rural groups.

New Hope Singapore Pte. Ltd., a major animal protein producer in developing Asia with operations in animal feed production, livestock farming, slaughtering, and meat processing, is receiving a $20 million loan that will fund working capital and operating expenses for its operations in nine developing countries in South Asia and Southeast Asia. The assistance will help the company preserve the jobs of 5,300 workers and at least 120 contract farmers. By ensuring the continued flow of affordable animal proteins, New Hope Singapore will also support food security in the target countries.

PT Cisarua Mountain Dairy (Cimory) is a leading manufacturer and distributor of dairy and consumer foods in Indonesia. ADB is helping Cimory expand its operations with an equity investment of $4.2 million in Indonesian rupiah equivalent in the company's initial public offering.

The investment will help Cimory more than triple its production capacity for affordable, nutritious dairy products by 2024, contributing to increased food security and improved rural livelihoods. The investment will benefit 4,200 dairy farmers on top of its existing suppliers, as well as an additional 5,000 women sales agents. It will also allow Cimory to expand its distribution network to reach about 500,000 new households a year.

The equity injection, raising $97 million in cofinancing, will help sustain its operations and preserve the jobs and livelihoods of its workforce and contract farmers.

In its first agribusiness project in Azerbaijan, ADB has extended a $5.9 million loan to support the working capital needs of privately owned Avrora, the country's third largest food and beverage distributor and manufacturer. The loan gives the company liquidity needed to make advance payments to suppliers and extend credit to customers, including small, family-run shops in rural areas that have been badly affected by COVID-19. It will protect the livelihoods of more than 2,600 Avrora employees, 1,500 farmers and farm workers, and more than 12,000 retailers.

The project also plays an important role in food security by ensuring the continued production and distribution of affordable wheat and dairy products to more than 2 million people, or 20% of Azerbaijan's population. It is in line with ADB's COVID-19 response strategy, which includes extending working capital to economically important companies facing temporary liquidity problems.

In the PRC, the COVID-19 pandemic has hit rural economies hard, with many farmers and microentrepreneurs, including women, suffering substantial losses while struggling to source loans for their businesses. The largest microfinance institution in the PRC, CD Finance Management Co. Ltd. (CFM), is using a $40 million yuan equivalent loan from ADB as a long-term, stable source of funds to help farmers, entrepreneurs, and former migrant workers in starting and maintaining businesses. This can contribute to rural development and revitalization. CFM will provide microloans of up to 200,000 yuan each, with at least 60% of the total loan amount to be disbursed to around 30,100 women borrowers. At least 100,000 female clients will receive training from CFM in financial and nonfinancial skills.

Strengthening Governance and Institutional Capacity

Strong governance and institutions are critical for sustainable and inclusive development, and PSOD supports this Strategy 2030 priority in many ways. These include appointing and nominating directors to investee company boards who will support good governance, working with clients to strengthen tax integrity and transparency, and providing training programs on issues such as anti-money laundering and the promotion of environmental and social safeguards.

In 2021, PSOD made a first-of-its kind financing deal that will help a major state-owned Indian electricity distribution company strengthen its financial management and safeguards capabilities and encourage gender equality (Box 4).

Box 4

Landmark Financing Deal to Strengthen Bangalore Electricity Supply Co.

For the first time, the Asian Development Bank (ADB) is providing a combination of sovereign and nonsovereign loans to support a fully state government-owned (subsovereign) business. ADB's nonsovereign ($90.4 million in rupee equivalent) and sovereign ($100 million) loans will help Bangalore Electricity Supply Co. Ltd. upgrade its distribution facilities and build up its capabilities in financial management, operation and maintenance, environment and social safeguards, and gender equality.

Bangalore Electricity Supply Co. is the largest distribution utility in the Indian state of Karnataka serving more than 11.8 million consumers, but its business suffers from both infrastructure deficiencies and institutional capacity weaknesses. The innovative financing structure will reduce the company's need for sovereign assistance, with the nonsovereign loan component providing much-needed local currency funds not readily available in the domestic market. By supporting institutional improvements in its business, the project will help pave the way for the company to tap domestic and international financing markets for its future capital expenditure needs. The physical improvements from the project will help to substantially reduce power outages and electricity losses and avoid over 113,000 tons of carbon dioxide emissions each year.

▲ **Electricity grid substation in India.** ADB financing will improve power distribution and strengthen the operations of Bangalore Electricity Supply Co. (photo by ADB).

Source: Asian Development Bank (Private Sector Operations Department).

Fostering Regional Cooperation and Integration

Strategy 2030 prioritizes regional cooperation and integration in areas such as cross-border infrastructure; trade, supply chains, and finance; and through regional public goods. Regional cooperation and integration can have a powerful beneficial impact on growth and the reduction of development gaps across countries. One way PSOD supports this Strategy 2030 priority is through its Trade and Supply Chain Finance Program, which seeks to boost both regional and global trade. PSOD also looks for investments that can develop cross-border value chains and economic corridors, along with opportunities for the development and deployment of new technologies through regional partnerships, and energy projects that can deliver cross-border supplies of electricity.

A $60 million ADB loan in 2021 to a major Asian agribusiness to assist smallholder farmers is expected to give a lift to regional trade volumes. The loan funds have been committed to ECOM Agroindustrial Corp. Limited and its wholly owned subsidiary, ECOM Agroindustrial Asia Pte. Limited. ECOM Agroindustrial Corp. Limited along with its subsidiaries (ECOM), is the world's largest coffee miller, and a leading coffee and cocoa merchant, working with over 800,000 farmers in 40 countries. It has been adversely affected by the pandemic, with difficulties accessing finance constraining its ability to fund inventories and provide cash advances and extension services. These smallholder farmers across Asia and the Pacific have seen their incomes and livelihoods badly affected by the ongoing COVID-19 pandemic as a result of major disruption to agricultural supply chains coupled with economic contraction.

Accompanying technical assistance will allow ECOM to introduce climate-resilient coffee farming techniques benefiting about 4,000 farmers. The project will strengthen the regional agricultural value chain, resulting in increased trade volumes, while promoting best-practice farming techniques that can be replicated beyond the four target countries of India, Indonesia, Papua New Guinea, and Viet Nam.

Streetside vendor and child, Bali, Indonesia. An ADB project to support smallholder farmers in four developing member countries in Asia will help strengthen the regional agricultural value chain (photo by ADB).

Strategic Focus and Priority Areas

Agribusiness

Agribusiness plays a major role in the economic and social development of Asia and the Pacific, contributing as much as a third of total gross domestic product in most DMCs in the region. Along with generating jobs and supporting livelihoods and food security, the sector generates foreign currency through exports and foreign direct investment. Private sector operations assist agribusinesses in multiple ways with investments to support increased productivity, development of value chains, food safety, and farming practices that incorporate climate resilience and environmental sustainability.

In 2021, eight projects supported agribusinesses, up from five in 2020, with committed assistance reaching $158 million.

Much of the assistance was to provide agribusinesses, hard hit by the pandemic, with working capital to support their operations, jobs of employees, and contracts with suppliers, including smallholder farmers. ADB also made its first private sector investment in the animal health field in 2021 (Box 5) and supported a project in the PRC to develop high-quality breeding pigs to help rebuild the population after an outbreak of African swine fever.

Pork is the most important source of protein for consumers in the PRC but in 2018 an outbreak of African swine fever saw herds decimated, severely impacting the incomes of smallholder pig farmers. To help rebuild the animal population with high-quality breeding stock, ADB is providing a $15 million yuan equivalent loan to Tianzow, one of the largest pig breeding stock companies in the PRC. The loan will allow a unit of the company, Chongqing Tianzow Animal Husbandry Technology Ltd., to build a farm producing up to 170,000 breeding and commercial pigs a year, providing income to 120 smallholder contract farmers.

The African swine fever outbreak underlined the need to improve biosecurity management in the industry; thus, ADB's loan will allow the company to expand investments in biosecurity, genetics, and waste management. This will result in a supply of high-quality pig breeding stock produced in a biosecure and environmentally sustainable way. ADB will also act as lender of record for another loan of $15 million in yuan equivalent from commercial lenders.

Finance

Building a strong finance sector is critical for inclusive economic growth and job creation. In low- and middle-income Asian economies, however, many of the adult population do not have a bank account, while less than 10% have borrowed from formal financial institutions. In 2021, ADB investments in the sector included assistance for bank and nonbank financial institutions providing funds to MSMEs and housing loans for low-income groups.

Almost 75% of employed people in Uzbekistan work in small businesses and more than 60% of those jobs are in rural areas. However, access to loan finance for MSMEs and agricultural borrowers is very limited, with the situation worsening because of the pandemic. In response, ADB has extended an $18.9 million local currency denominated loan to JSCB Hamkorbank, the largest private sector bank in Uzbekistan focused on MSMEs and retail lending. The project will continue ADB support for strengthening private sector banks and deepening the finance sector in Uzbekistan, which began in 2012.

Box 5

ADB Makes First Private Sector Investment to Support Improved Animal Health

▲ **A veterinary checkup in India.** Improving the health of livestock is crucial for boosting farmer incomes and reducing the spread of disease (photo by ADB).

The Asian Development Bank (ADB) is going into its first private sector venture in the animal health field through an equity investment of $10.4 million in Zenex Animal Health India Pte. Ltd. (ZAHL). ZAHL is India's second largest animal health company with a distribution network reaching 100,000 veterinary doctors and more than 100,000 farmers.

Livestock contributes about 5% to India's economy and nearly 12% to rural household income. However, the livestock sector is plagued by issues such as low productivity and poor hygiene and animal health practices, leaving smallholder farmers vulnerable to income losses. The ADB investment will allow ZAHL to boost production of high-quality health care products, helping smallholder farmers to reduce disease risks, cut livestock losses, and increase productivity and incomes.

To increase productivity and animal health, breeding and herd composition needs to be improved, while biosecurity risks and misuse of antibiotics must be reduced, as these have led to outbreaks of disease and antimicrobial resistance. The project addresses the importance of improving biosecurity, reducing antimicrobial resistance, and preventing zoonotic diseases.

ADB is also providing technical assistance that will allow ZAHL to train 2,300 farmers and 580 veterinarians in Bangladesh, India, Nepal, and Sri Lanka in the correct use of antibiotics. At least 40% of those targeted for training will be women.

Source: Asian Development Bank (Private Sector Operations Department).

ADB support for JSCB Hamkorbank complements Uzbekistan's ongoing reform program, and provides much-needed loans to underserved groups, including women and agricultural borrowers.

The development of the finance sector is pursued by PSOD in many ways, including through its Trade and Supply Chain Finance Program and Microfinance Program and by increasing financial inclusion for underserved borrowers. In 2021, PSOD arranged ADB's first local currency parallel loan in the PRC to help develop the lease financing industry. The recipient, Zhujiang Financial Leasing Company Limited (ZFL), will use the proceeds to provide lease finance to SMEs in underserved regions. Lease financing is particularly suited for SMEs, and the industry has been growing robustly in the PRC. However, the lease penetration rate remains lower than in major developed markets, highlighting room for further growth.

Along with ADB's $40 million yuan equivalent loan, parallel cofinancing of $40.3 million is being provided by Deutsche Investitions- und Entwicklungsgesellschaft mbH, a unit of German development finance institution KfW. As a result of the assistance, ZFL is expected to more than double its SME client base by 2025, with its finance portfolio growing by around 40%.

By providing longer-tenor finance to a small leasing company, the project will support the development of the financial leasing industry in the PRC. It will also help ZFL to pilot a new lease finance product targeting microenterprises, and support knowledge transfer and information exchanges between ZFL and leasing companies operating in other DMCs.

Health

The availability of good quality health care for all increases economic participation and productivity, and reduces poverty. The onset of the COVID-19 pandemic has resulted in the greatest public health challenge in over 100 years. PSOD is actively supporting ADB efforts to help DMCs respond to both direct and indirect impacts of the pandemic.

A bank officer and customer in Cambodia. Private sector operations helped micro, small, and medium-sized enterprises access badly needed finance to grow their operations, and helped low-income families acquire affordable, green homes (photo by ADB).

In India, a private sector health project in 2021 included debt support to provide essential equipment and staff training to improve care for COVID-19 patients. Another health project in India represents ADB's first direct private sector investment to scale up COVID-19 testing.

As in other countries, health care in India has come under immense pressure from COVID-19, with businesses in the sector struggling to source short-term funding needed to maintain services. Global Health Private Ltd., which operates five hospitals and four clinics across the country, including a dedicated COVID-19 hospital in Gurgaon City in the state of Haryana, is no exception. Revenues of the company have declined sharply since the start of pandemic. In response, ADB has made a debt investment of $13.7 million in Indian rupee equivalent in the health care company. This support has been timely as ADB was then the only lender considering providing finance.

The ADB assistance will fund the purchase of essential patient care equipment, personal protective equipment, and hygiene products. It will train staff on infection prevention and control and also allow Global Health Private Ltd. to create COVID-19 isolation wards in four hospitals.

In 2021, ADB made its first direct private sector investment to increase testing for COVID-19, with committed debt finance of $5.5 million in Indian rupee equivalent to Krsnaa Diagnostics Pte. Ltd.– India's largest business-to-business diagnostic company for radiology and pathology. This will help the company purchase COVID-19 test kits, as well as provide funds for general working capital, and to train staff in infection prevention and control.

Infrastructure

Under its operational plan for 2019–2024, PSOD is broadening its focus on infrastructure development. In the energy sector it is looking at projects that will support the delivery of green and sustainable energy and address issues such as improving access to electricity for all. Elsewhere, PSOD aims to expand operations into areas where it has been less active in the past and which are more challenging, including environmental infrastructure, information and communication technology, and transportation.

In 2021 there were 13 private sector infrastructure projects, including assistance for clean energy development, electricity network upgrades, road construction, a railway modernization project in Georgia, and a new telecommunications service for Papua New Guinea (Box 6).

The Government of India has a program to construct 66,100 kilometers (km) of economic corridors, coastal roads, and expressways to improve the country's highway network. To support the program, ADB has committed $51.1 million in Indian rupee equivalent to DBL Anandapuram Anakapalli Highways Private Ltd. to convert a section of national highway in Andhra Pradesh from two to six lanes. The company is a unit of DBL, a leading highway developer in India with one of the largest fleets of construction equipment.

The project is ADB's first private sector road project in South Asia, and will decongest a key traffic choke point linking the hinterlands of the state to the port of Vishakhapatnam on the east coast. This will see traffic volumes on the road rise over 19% from 2019 levels by 2022, faster cargo movements, and reduced logistics costs. During the construction phase, at least 1,095 jobs will be created.

Box 6

ADB Supports Expanded Access to Telecommunications in Papua New Guinea

▲ **A mobile phone user in the Pacific.** ADB is helping Papua New Guinea expand access to reliable and affordable telecommunications services for underserved communities (photo by ADB).

Papua New Guinea is the Pacific region's largest yet least developed telecommunications market with a mobile penetration rate of just 32% of the population. An Asian Development Bank (ADB) project will help raise the mobile penetration rate to an estimated 65% by 2024, while creating hundreds of new jobs, of which 30% will be allocated to women at the operational stage.

There are currently two telecommunications providers in Papua New Guinea, but the market has significant room for a new entrant to reach underserved communities. ADB is providing $25 million in equity to a special purpose vehicle of Amalgamated Telecom Holdings Ltd. (Fiji). The company is raising funds for a telecommunications venture that will support the establishment of Vodafone PNG as a new telecommunications operator providing reliable and affordable mobile, broadband, and internet services. ADB is a cornerstone investor and will have a nominee on the special purpose vehicle's board. The bank will be able to provide valuable insights and lessons from its previous projects in the Papua New Guinea telecommunications industry and ensure that Vodafone PNG adopts high corporate governance and integrity standards.

The project has a strong gender component, with Vodafone PNG committed to targeting women for jobs, developing training opportunities for women, and providing support services for women experiencing sexual harassment or family violence.

Source: Asian Development Bank (Private Sector Operations Department).

In another road construction project, ADB is providing debt finance of $19.9 million in Indian rupee equivalent to India's GR Infraprojects Ltd. (GRIL) to support the purchase of construction equipment and machinery. This will allow GRIL to build 2,200 km of roads by 2024, up from 1,851 km in 2021, and create 1,000 new jobs in the company. The investment will buttress the Government of India's national highway development program, strengthen interregional connectivity, improve access to services, and support rural development.

GRIL is one of the leading engineering, procurement, and construction contractors and road developers in India. It is an existing client, having received an ADB investment in debentures issued in 2019 to support its growth.

Located at the crossroads of Europe and Asia, Georgia is an important node for regional trade flows and has a unique geographic advantage for market integration with the rest of the world, including the European Union. ADB has invested $20 million in the $500 million green bond issuance of Georgian Railway JSC to help the sole rail company operating in the country refinance its debt and continue an ongoing railway modernization project. The bonds meet international green bond principles as the operations they will fund are expected to help reduce carbon emissions, with passengers and freight moving from GHG-intensive, road-based transport to rail. This is the first green bond issued by a transport and state-owned enterprise from Georgia and the South Caucasus.

Additional technical assistance will help Georgian Railway formulate a long-term business strategy for rail passenger services, and to finalize a fair and transparent public services contract with the Government of Georgia. Once the modernization project is complete, Georgian Railway expects its annual freight capacity to rise from 27 million tons in 2020 to 48 million tons by 2024. The project has been developed and processed by PSOD, in close collaboration with ADB's Central and West Asia Department, using the One ADB approach.

Private Equity Funds

Investments in private equity funds allow ADB to deploy and mobilize capital for companies that can support ADB's development objectives. By assisting a wide range of companies through a fund, ADB can broaden its reach into sectors and countries where direct equity investments and lending programs may have limited penetration. It also allows ADB to tap the local knowledge of fund managers and diversify risks across companies, industries, and regions.

With the COVID-19 pandemic continuing to make it difficult for many businesses to access capital in 2021, ADB made equity injections totaling $170 million in four funds. The funds support mostly midsize companies operating in, or looking to expand into, areas including agriculture, consumer services, education, financial services, food production, health care, information and communication technology, manufacturing, and the digital economy.

A $20 million equity investment in Lombard Asia V, L.P. aims to support SMEs in Southeast Asia, many of which have been impacted by COVID-19, with growth equity, and to crowd in private capital and promote best practice safeguards and governance. It also aims to contribute to private sector development and boost job creation in middle-market companies, with the services sector accounting for a substantial share of developing Asia's output, employment, and growth. The Lombard Asia V, L.P. fund will place equity and equity-linked investments pursuing a minority growth strategy in midsize companies in Southeast Asia, taking advantage of changes due to competitive, regulatory, and/or technological

developments. The fund's investments will be targeted at the agriculture, education, financial services, food production, health care, and other sectors.

Through its investment in Lombard Asia V, L.P., ADB has also introduced a Gender Equality Scorecard, a new tool to help the fund manager better evaluate potential investee companies from a gender perspective. While Southeast Asia's market opportunity is increasingly attractive, there is a large unmet demand for private sector financing and many midsize companies have difficulty accessing financing without fixed assets as collateral. With its participation in Lombard Asia V, L.P., ADB aims to improve access to affordable financing for these midsize companies.

To support companies that can drive innovation and deliver quality products and services during a time of investor caution, ADB made a $50 million equity investment in PAG Growth II L.P. (PAG Growth II). The fund has raised around $525 million to invest in 10–15 companies, primarily in the PRC. PAG Growth II will seek to invest in businesses operating predominantly in the health care, financial services, and education sectors. Through PAG Growth II, ADB will help improve access to financing for midsize companies, particularly in secondary and tertiary markets where the availability of equity capital is limited for such companies. The financing will help businesses to realize their growth plans and achieve market-leading positions, while aiming to improve education and health outcomes in the region.

A business entrepreneur in Viet Nam. The ADB-developed Gender Equality Scorecard will help equity fund managers take into account gender perspectives when they make their investments (photo by ADB).

During its first capital raising, PAG Growth invested in companies in the health and financial sectors, which resulted in the development of new drugs, lower costs for certain medical treatments, and lower funding costs for smaller pharmaceutical distribution companies in the PRC. For its second phase, the fund is expected to identify and support promising and talented new business leaders, as well as invest in information technology businesses that can promote innovation and the adoption of new technologies.

ADB will help ensure that companies the fund invests in will comply with ADB's environmental and social safeguards, and that its strategies and operations are gender-inclusive.

ADB is investing $60 million in Creador V, a private equity fund that invests in middle-market companies in India, Indonesia, Malaysia, the Philippines, Sri Lanka, and Viet Nam. ADB's investment will allow the companies to expand their businesses, contributing to job creation, regional trade, and wider economic growth. It will also help to further broaden capital markets.

Creador was established in 2011, and since its inception, has launched four private equity funds in which ADB has made two previous investments. The new equity injection will provide much-needed growth capital to companies operating in business, consumer and financial services, health care, and manufacturing.

ADB is providing equity of $40 million to private equity fund Northstar Equity Partners V Ltd. The investment will allow the fund to extend capital to 14–18 companies, including 6–8 opportunistic early-stage investments in Indonesia, and to other parts of the subregion, including the Philippines, Thailand, and Viet Nam. The target companies will operate in areas including agribusiness, the digital economy, education, financial services, and health care. This will help create new jobs and support the growth of private business in the region.

Catalyzing Cofinancing

Project Cofinancing

To meet funding gaps for projects, ADB seeks cofinancing support to enlarge the pool of resources, share risks, and combine knowledge and technical expertise. In 2021, total long-term cofinancing raised by PSOD for private sector activities reached almost $1.8 billion (Figure 8). As a result, ADB was able to raise $2.2 in long-term cofinancing for every $1 of its own committed private sector assistance. ADB remains committed to meet its Strategy 2030 target of attracting $2.5 in long-term cofinancing for every $1 of ADB financing for private sector operations.

Among projects that benefited from substantial cofinancing support in 2021 were major wind (Box 7) and solar power projects in Viet Nam.

Along with five commercial banks and Leading Asia's Private Infrastructure Fund (LEAP), ADB is supporting a major solar power development project in Viet Nam that showcases the use of limited recourse financing for renewable energy development. A $24.5 million ADB loan, along with loans of $128 million from commercial lenders and $8 million from LEAP, has allowed a special purpose vehicle established by B.Grimm Power Public Co. Ltd. to construct and operate a 240–megawatt solar power plant in Tay Ninh Province. B.Grimm Power Public Co. Ltd. is an existing ADB client and one of the largest private power generation companies in Thailand.

Box 7

Limited Recourse Cofinancing Supports Major Viet Nam Wind Power Project

▲ **Turbines in a wind farm.** ADB is making its first investment in a wind power project in Viet Nam, with cofinancing support from commercial banks and development institutions (photo by ADB).

The first investment of the Asian Development Bank (ADB) in a wind power project in Viet Nam benefited from cofinancing support from six institutions. The project, certified by the Climate Bonds Initiative, will see the development, construction, and operation of three wind farms in Quang Tri Province, generating a combined 144 megawatts of electricity.

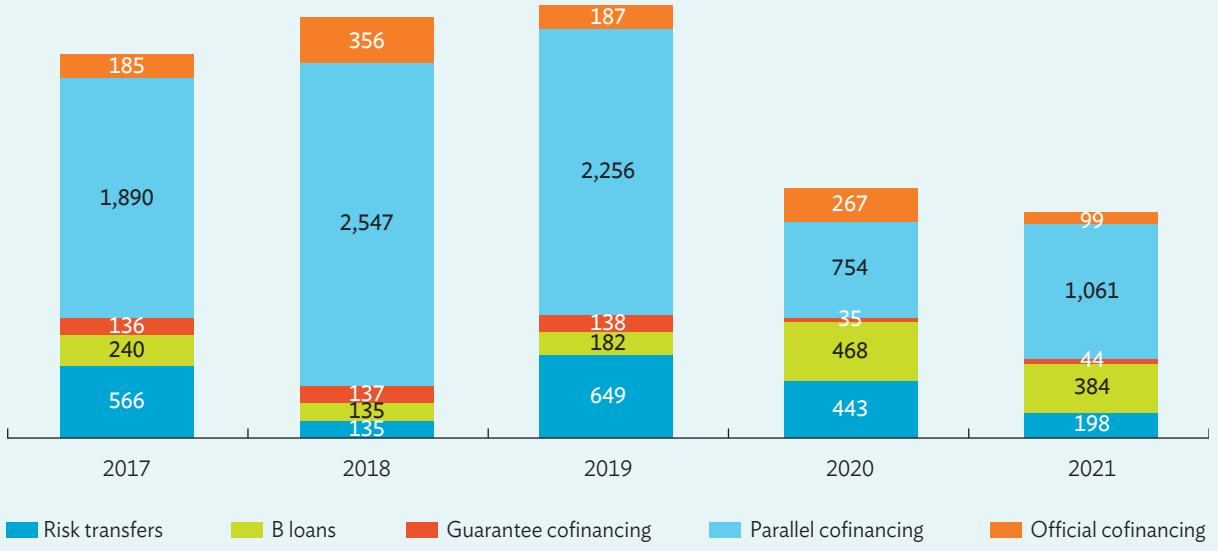
Along with its own loan of $35 million, ADB as lead arranger for the project, was able to raise a total of $138 million in cofinancing from commercial banks, institutional investors, and development finance institutions. The cofinancing raised translates to around $4 for every $1 of ADB's own investment.

Alongside B loans ($81 million) from four private sector lenders where ADB acts as lender of record, parallel loans are being provided by the Japan International Cooperation Agency ($25 million) and Export Finance Australia ($32 million).

The project is one of the largest wind power developments in Viet Nam to receive international limited recourse financing in the form of long-term United States dollar loans, which are unavailable locally. Once completed, the wind farms will boost the country's wind power capacity by nearly 30% and avoid annual carbon dioxide emissions of more than 162,000 tons.

Source: Asian Development Bank (Private Sector Operations Department).

Figure 8: Private Sector Operations Department Long-Term Cofinancing, 2017–2021
($ million)



Source: Asian Development Bank (Private Sector Operations Department).

The financial structuring for the project was led by ADB, with commercial cofinancing catalyzed at a ratio of $5.6 for every $1 of ADB assistance. It is one of the largest limited recourse finance transactions in Viet Nam's renewable energy sector and will provide a model for similar private sector investments in the future. The plant will deliver around 337 gigawatt-hours of electricity and avoid annual emissions of nearly 130,000 tons of carbon dioxide equivalent.

Third-Party Funds and Blended Finance

To scale up the impact of its operations, ADB manages a wide range of third-party funds such as LEAP. These funds are important financial contributors to ADB projects, particularly in areas such as infrastructure and climate change, and can help draw additional financing support from institutional investors. Blended finance, meanwhile, involves assistance provided on concessional terms, which when combined with market-based finance, creates a "blended" product.

Private sector projects involving third party funds in 2021 included assistance for a Sri Lankan food and consumer goods company, which received a LEAP equity injection. John Keells Holdings PLC is one of the largest listed companies in Sri Lanka with businesses across multiple sectors, and it is in a prime position to aid boosted food value chains and be a major contributor to expanded access to high-quality food and consumer goods. To support its drive to expand its retail and distribution businesses, ADB, along with LEAP, have extended equity investments of $25 million equivalent each in the company, with an option to invest more, up to a cumulative $30 million.

This will allow the company to equip new supermarkets and set up distribution logistics centers, resulting in supply chain benefits for its more than 8,000 farmer suppliers and improved food quality and safety for consumers. The direct investments from ADB and LEAP are also expected to spur investor confidence and interest in Sri Lanka's private sector businesses.

A solar power project in Cambodia and a housing finance project in India (Box 8) meanwhile both received concessional loans from the Canadian Climate Fund for the Private Sector in Asia II (CFPS II).

To support Cambodia's drive to scale up the use of renewable energy resources. ADB led the financing for a 60-megawatt solar photovoltaic power plant project in Kampong Chhnang Province, one of the main electricity demand centers in the country. The plant is being developed and operated by Prime Road Alternative Company Ltd., a unit of the Prime Group, which has multiple renewable energy projects. ADB's early commitment of a 17-year loan of $4.7 million, and a concessional loan of $4.2 million of the same tenor from the CFPS II, raised confidence in the viability of the project, drawing in support from commercial cofinanciers and helping to push tariff bids down, with the Prime unit awarded the project after submitting the lowest utility-scale solar tariff in Southeast Asia at the time.

BRED Bank Cambodia, a subsidiary of the French group BRED Banque Populaire, provided a 13-year $3.2 million loan, with ADB as the lender of record. Other cofinanciers included the International Finance Corporation, the Japan International Cooperation Agency, Norfund, and Export-Import Bank of Thailand. Once complete, the plant will reduce GHG emissions in the energy sector by nearly 111,000 tons a year.

Supermarket worker, Sri Lanka. An ADB equity investment in John Keells Holdings, one of the largest listed companies in Sri Lanka, will help it strengthen its supermarket business, benefiting both farmer suppliers and consumers (photo by John Keels Holdings PLC).

Box 8

Blended Financing Deal Supports Affordable, Green Homes for Women in India

▲ **A housing development in India.** An ADB-assisted project with blended finance will support affordable, green homes for economically disadvantaged women (photo by IIFL Home Finance Limited).

India suffers from a chronic housing shortage estimated at 18.7 million in urban areas and 43.7 million in rural areas, with around 90% of the shortfall in the low-income population segment. This situation is exacerbated by a lack of access to credit, with women finding it particularly difficult to obtain mortgage loans, as men dominate land and home legal ownership.

IIFL Home Finance Ltd. (IIFLHF) is a retail housing finance provider that promotes green, affordable housing in India. With an Asian Development Bank (ADB) debt injection of $58 million (Indian rupee equivalent), and a $10 million equivalent concessional loan from the Canadian Climate Fund for the Private Sector in Asia, IIFLHF will extend housing loans to women borrowers. As a result, about 136,000 loans are expected to be provided to economically weaker and lower-income women borrowers between 2021 and 2025.

Around 20% of the assistance will be earmarked for affordable, climate resilient homes in Tier-2 and Tier-3 cities, with the loan from the Canadian Climate Fund for the Private Sector in Asia to be on lent to developers to build green-certified homes under a blended finance arrangement.

Source: Asian Development Bank (Private Sector Operations Department).

Program Cofinancing: Trade and Supply Chain Finance Program and Microfinance Program

The ADB Trade and Supply Chain Finance Program plays an important role in bridging financing gaps for trade and for SMEs in Asia and the Pacific, while the Microfinance Program supports microfinance institutions (MFIs) to expand lending to micro borrowers. The COVID-19 pandemic has battered trade and supply chains around the world in 2021, with the negative impacts being felt most keenly in developing countries.

During 2021, ADB committed $3.0 billion in trade finance, supply chain finance, and microfinance assistance, and raised $5.8 billion of cofinancing. The assistance included support for intraregional trade, for SMEs, and for the distribution of medicines including vaccines, medical equipment, food, and COVID-19 test kits.

A study by the Trade and Supply Chain Finance Program and ADB's Economic Research and Regional Cooperation Department[2] finds that the global gap between available funding and requirements had grown to around $1.7 trillion in 2020 from $1.5 trillion in 2018. Caution over lending and investment, triggered by the pandemic, has made it increasingly difficult to source funds for trade transactions, and for smaller businesses to obtain financing needed to maintain and expand their operations.

The total value of transactions supported by the trade finance component of the Trade and Supply Chain Finance Program in 2021 exceeded $8 billion, up 38% from 2020, while cofinancing of $5.4 billion was up 81% from 2020. The number of trade finance transactions totaled 6,790, including 2,858 involving SMEs. Under the supply chain component of the program, the value of transactions supported reached $375 million, up 52% from 2020, with cofinancing of $187 million, up 16%.

Along with its financing support, the Trade and Supply Chain Finance Program also created and led a pilot project in 2021 with the United Nations and seven DMCs to address trade-based money laundering, as well as the unintended consequences on trade transactions from regulations designed to target crime. While regulations need to be strengthened to combat criminality, including money laundering, there is also a need to ensure they do not impede trade flows. The pilot project is looking at ways to fine-tune regulations so that they better target crime while decreasing negative effects on the trade process.

The Microfinance Program helps boost access to funds for MFIs. COVID-19 has posed one of the most severe challenges faced by the microfinance industry. Along with the deep economic distress faced by many micro borrowers, MFIs have been forced to substantially reduce their operations to comply with public health and safety requirements. In this environment, the risk appetite of commercial lenders to fund MFIs has diminished significantly.

In 2021, the Microfinance Program assisted commercial lenders by allowing them to partially transfer the default risk of their MFI borrowers to ADB. This helped the lenders boost financial support to MFIs, which in turn resulted in much-needed assistance to micro borrowers. The average loan size to micro borrowers was $250 and was primarily used for emergency support and to restore rural livelihoods. The Microfinance Program has provided much-needed support to women and helped reduce gender-related disparities worsened by the pandemic. The Microfinance Program supported the extension of $482.5 million in loans to MFIs, which on lent the funds to more than 1.5 million individual borrowers, 99% of whom were women. The assistance included cofinancing of $244.4 million. The volume of loans was the program's highest annual volume to date.

[2] ADB. 2021. *2021 Trade Finance Gaps, Growth and Jobs Survey*. Manila. https://www.adb.org/publications/2021-trade-finance-gaps-growth-jobs-survey.

Producing rice crackers in Viet Nam. ADB's Trade and Supply Chain Finance Program in 2021 provided important assistance for small and medium-sized enterprises hard hit by the COVID-19 pandemic (photo by ADB).

Despite the uncertainties and difficulties posed by COVID-19, the Microfinance Program expanded its coverage in 2021, adding eight new partner institutions from Cambodia, India, Indonesia, Pakistan, and the Philippines. By expanding access to loans to more micro borrowers, the Microfinance Program is driving job creation and business growth that are crucial for the region's recovery from the COVID-19 crisis.

Special Initiatives

Business Development: ADB Ventures

The ADB Ventures Financing Partnership Facility, or ADB Ventures, established by ADB in 2020, provides investment capital for early-stage companies engaged in businesses that can contribute to resolving pressing development problems in Asia and the Pacific.

After raising $60 million in its inaugural fund, ADB Ventures made its first equity investments in 2021, investing in seven companies mainly involved in activities that are helping to reduce the impacts of climate change. This includes Euler Motors, a designer and manufacturer of light electric vehicles supporting last-mile commercial logistics in India; Skycatch, which uses drone-based aerial surveying to eliminate wastage and help reduce the construction industry's carbon footprint; Nuventura, which develops gas-insulated switchgear technologies to cut the use of SF6, one of the world's strongest GHGs; E-Green Global, the world's first mass production platform for successfully commercializing high-quality, virus-free seed potatoes that will raise productivity and reduce the carbon footprint of the potato industry; and Smart Joules, a provider of energy-efficient services for Indian hospitals and commercial buildings.

It also invested in two financial technology companies, Fairbanc and Wagely, which are aiming to deliver microcredit to about 120,000 small businesses and extend financial literacy education to at least 400,000 low- and middle-income workers in Indonesia by 2025.

▼ **Drone surveillance.** In 2021, ADB Ventures made equity investments in seven companies working on technology solutions related to climate change and financial services (photo by Skycatch).

Additionally, $3.8 million in technical assistance was extended to support 27 promising early-stage companies involved in developing new technology solutions in the agriculture, clean energy, finance, and health sectors. Many of these grants provided ADB Ventures future investment rights in the target companies.

To help advance its mission, ADB Ventures forged a partnership with the global innovation platform, Plug and Play, in 2021. This collaboration will allow its ADB Ventures Labs platform to build up its investment pipeline by matching promising startup companies with commercial opportunities in areas including agriculture, construction, finance, food, health, insurance, real estate, smart cities, supply chains, and the internet. Ventures Labs leverages ADB operational networks, relationships, and strategic partners to match regional demand for technology solutions to best-in-class technology companies.

To support its work and raise its profile, ADB Ventures created a video series for YouTube that highlights three of its portfolio companies that are helping to strengthen Asia and the Pacific's resilience to climate change. The series attracted more than 300,000 views. Moving forward, ADB Ventures aims to launch a $100 million fund in 2022, which will provide debt financing, allowing target companies to shift away from purely equity-based fund raising.

As a result of its investments, ADB Ventures inaugural fund aims to reduce or avoid at least 4 million tons of GHG emissions, strengthen climate and disaster resilience for at least half a million people, and provide at least 50,000 people increased access to financial services and/or economic opportunities.

Widening Geographic Coverage

To increase the development impacts of its work, PSOD has made widening the coverage areas of its operations a priority. This includes investing in frontier economies, including countries in fragile and conflict-affected situations, as well as in small island developing states.

In 2021, ADB made a first-of-its kind investment in Fiji (Box 9), helping the national carrier, Fiji Airways, resume operations after they were suspended amid a sharp slump in travel caused by the pandemic.

Trade Technology: Digital Standards Initiative

An important way to drive transparency through global trade and supply chains, and to open

Working on an electric vehicle. In 2021, ADB Ventures invested in Euler Motors, a designer and manufacturer of light electric vehicles in India (photo by Euler Motors).

Box 9

First Private Sector Loan in Fiji Supports Revival of National Airline

▲ **Grounded planes.** ADB is helping Fiji Airways restore its services after its fleet was grounded in 2020 because of the COVID-19 pandemic (photo by ADB).

Fiji Airways is the South Pacific's largest regional airline providing vital links to many small island developing states. However, it was forced to suspend its operations in 2020 due to the coronavirus disease (COVID-19) pandemic, which has crippled the aviation and tourism industries worldwide, with governments closing borders and people pausing travelling.

To cover fixed costs incurred during the shutdown and to provide working capital to ramp up and restore flights, the Asian Development Bank (ADB) extended a $40 million loan to the national carrier. The loan, which is guaranteed by the Republic of Fiji, is ADB's first for the private sector in Fiji. It is also the Private Sector Operations Department's first financing support for the airline industry. ADB also helped catalyze a $25 million loan from Leading Asia's Private Sector Infrastructure Fund to broaden financing support for the airline. Fiji Airways has a strong safety record, a new fleet of aircraft, and a history of profitable operations. It plays an indispensable role in supporting the South Pacific's economic and social development, connecting many small islands in the region, including those in fragile and conflict-affected situations, to the rest of the world.

With major uncertainty over the resumption of flights, traditional lenders had been unable to provide funding to help the airline. ADB stepped in to provide the necessary liquidity, and its support for Fiji Airways is expected to have a strong demonstration impact. The project benefited from strong cooperation between the Pacific Department and the Private Sector Operations Department using the One ADB approach.

Source: Asian Development Bank (Private Sector Operations Department).

trade to more companies is through digitalization, which increases the efficiency of transactions, leading to higher rates of productivity. Digital trade can make supply chains more robust, and with readily available digitalized information, the monitoring of environmental and social standards throughout the supply chain becomes easier. This is crucial for helping more SMEs participate in global trade.

The two main impediments to the digitalization of global trade are the lack of standards to drive interoperability and a lack of supporting legislation. To address the lack of standards, the Trade and Supply Chain Finance Program created the Digital Standards Initiative, in partnership with the Government of Singapore and the International Chamber of Commerce. The initiative is developing digital standards and protocols for trade.

In 2021, the Trade and Supply Chain Finance Program and the Digital Standards Initiative worked together to promote adoption of the Model Law on Electronic Transferable Records developed by the United Nations. This law will allow digital trade transactions to be considered as valid as paper ones. Currently, many countries still only accept paper records as valid documentation.

Gender Focus: Women's Finance Exchange and Gender Equality Scorecard

Investing in women has been shown to support stronger business outcomes as well as driving new innovations, but access to basic financial services for women remains a challenge with an estimated total of more than 1 billion women underserved.

In 2021, ADB launched the Women's Finance Exchange to support financial institutions and their women borrowers. The interactive online exchange provides a mechanism to help deliver gender-responsive financing that can better serve women's businesses, and aims to increase access to finance for women. It also seeks to generate knowledge about gender-related credit gaps and how they can be addressed, as well as potential opportunities available to the finance sector from the women's business segment.

In another initiative to improve the effectiveness of gender mainstreaming in its investments, PSOD rolled out a Gender Equality Scorecard for its private equity clients. The private equity industry is increasingly adopting gender-smart investing, which is an investment strategy that seeks to use capital to address economic gaps between men and women, while strengthening resilience and profitability of the portfolio companies. However, more support has been needed by private equity fund managers to put gender-smart investing into practice. The scorecard allows clients to assess the potential gender impact of investments in target companies by supporting the inclusion of gender considerations in their decisions.

In 2021, PSOD worked with five fund managers across Asia and the Pacific to use the new gender assessment tool, which can be applied before or after investment, helping to differentiate between otherwise comparable investment options, and enabling fund managers to measure an investee's change over time. Alongside this initiative, PSOD created tip sheets for actions that companies can take to benefit staff, business owners, and customers, with sector-specific guidance for businesses in the finance, renewable energy, and agribusiness industries.

To support peer learning, PSOD shared video testimonials from women beneficiaries of a private sector clean energy project in Lombok, Indonesia and hosted events that allowed private sector managers to share their gender experiences. In addition, learnings shared by private sector chief executive officers at the ADB Knowledge Forum 2021 highlighted how greater inclusion of women as business leaders can support the transformation and improved performance of businesses.

Students home schooling in Fiji during the pandemic. PSOD uses a development effectiveness flag tool to monitor the performance of its work (photo by ADB).

STRENGTHENING DEVELOPMENT EFFECTIVENESS

In 2021, ADB private sector operations continued to focus strongly on development impacts and effectiveness throughout the project cycle.

In line with ADB's pursuit of development impact as a key objective of its private sector operations, the Development Effectiveness Upgrade Program was initiated by PSOD in 2019. The program looks at the entire project cycle from concept development to project completion and examines all processes and procedures to identify what can be changed to further strengthen development effectiveness.

Ex-Ante Development Impact Framework Initiative

ADB began piloting the Ex-Ante Development Impact Framework in January 2021. This new tool was designed to strengthen alignment of private sector operations with corporate priorities and to enhance project selectivity. The framework is part of an end-to-end ADB system that includes results monitoring of projects under implementation and ex post evaluation of projects at early operating maturity. It is aligned with the ex post evaluation

framework and supports implementation of the portfolio approach by enabling assessment of trade-offs among development impact, risks to development results, and contributions to ADB's financial sustainability.

Along with projects committed in 2021, the framework was also applied to projects committed in 2019 and 2020 to enable comparison of results and to develop a representative portfolio. This initial exercise demonstrated the value addition of the framework in identifying projects with strong development impact potential and the need for integration of the framework throughout the project cycle. It also allowed ADB to draw useful lessons to further improve the framework and to create the foundation for testing of the portfolio approach, which will be piloted in 2022.

Monitoring of Development Results

As part of its Corporate Results Framework 2019–2024 commitments, ADB has been putting in place enhanced systems for measuring and monitoring the performance of its new and ongoing operations. In 2019, PSOD developed and eventually adopted a Development Effectiveness flag tool that is designed to monitor and measure the performance of operations under implementation. The purpose of the tool is to improve the success rates of projects by flagging those that are found to be at risk of not achieving their development results, and prompting measures to help improve their development effectiveness performance.

Small business worker, Azerbaijan. PSOD uses a number of instruments and processes to measure the development effectiveness of its operations (photo by ADB).

▼ **Fishing on Haihe River, Tianjin.** A project to convert agricultural and municipal waste to energy in the People's Republic of China was rated *successful* in an extended annual review report released by ADB in 2021 (photo by ADB).

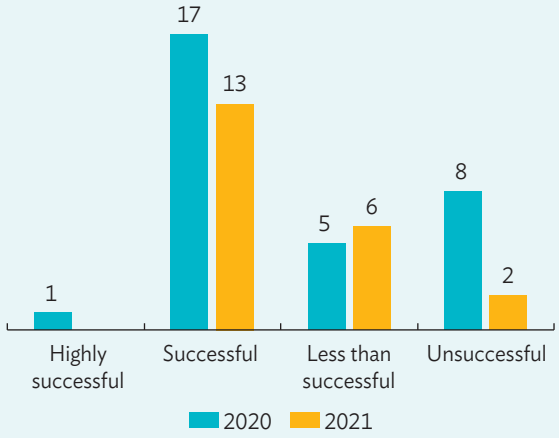
The initial phase of the Development Effectiveness flag review was piloted on a select number of projects then gradually expanded to around 90% of active projects in 2020. As of 2021, PSOD had fully implemented its Development Effectiveness flag review process in 100% of its active portfolio. The result of the review process indicated that 19.3% of the total active projects of PSOD under implementation remain at risk of not achieving development results, which is a significant improvement from 32.1% reported in 2020. The improvement in the performance of projects can be partly attributed to the implementation of several initiatives to improve data quality and timely submission of development effectiveness monitoring reports.

Results of Post-Completion Evaluations

At project completion, extended annual review reports are prepared that evaluate the success of private sector transactions against four criteria: development results, investment profitability, work quality, and additionality. The report's findings are validated by ADB's Independent Evaluation Department.

The extended annual review reports prepared in 2021 cover 21 completed transactions (Figure 9) approved during 2008–2020. While below 2020's

Figure 9: Ratings of Completed Transactions, 2020–2021



Source: Asian Development Bank (Private Sector Operations Department).

historic high of 31 transactions, the reviews for 2021 showed 13 projects were rated *successful*, with six *less than successful* and just two *unsuccessful*, compared to eight *unsuccessful* the previous year.

Of the *successful* projects, eight are in the energy sector, two in the finance sector, one in agriculture, one in industry and trade, and one in transport.

Lessons learned from projects rated *successful* demonstrate the importance of effective screening, appraisal, structuring, monitoring, and supervision; strong corporate sponsors; embedding flexibility in the project structure to allow for changes in circumstances; and factoring in risks in renewable energy projects such as interest rate changes, declines in plant load factor because of aging equipment, and power off-take arrangements.

Key lessons learned from reviewed projects with less than satisfactory results are that design and monitoring frameworks must be carefully structured to ensure all indicators and targets are well-defined, with the need to be proactive in reviewing and amending indicators and targets to ensure that they remain relevant in the face of changing external factors. Due diligence on project contracts should be enhanced to identify deviations before disbursement of funds. There is also a need to pay close attention to foreign exchange risks for investments in commodity-dependent economies; show flexibility in supporting institutions facing financial difficulties; and recognize the value of entering into risk transfer agreements with insurance companies to support project companies in difficulty.

Container terminal, India. A project which helped a leading port services provider in India expand its operations, resulting in improved port efficiencies, received a *successful* rating in a 2021 extended annual review report by ADB (photo by ADB).

Measuring ADB Private Sector Operations Contributions to the Sustainable Development Goals

SDG	Indicators	2021	2020	2019
1 NO POVERTY	MSME beneficiaries	39.3 million	56.2 million	38.2 million
2 ZERO HUNGER	Farmers reached	2.5 million	9.9 million	1.1 million
3 GOOD HEALTH AND WELL-BEING	Patients served	6,974	913,528	631,845
	Antiviral medications distributed	372.6 million	283.8 million	not applicable
4 QUALITY EDUCATION	Students reached	4 million	9.2 million	8.1 million
5 GENDER EQUALITY	Workers employed (female)	17,480	73,718	8,050
	MSME beneficiaries (female)	37.5 million	31.2 million	33.8 million
	Women trained	319,835	515,936	195,341
6 CLEAN WATER AND SANITATION	Potable water produced	484.3 million m^3	372.8 million m^3	777.2 million m^3
	Wastewater treated	513,070 m^3	1.2 million m^3	1.1 million m^3

SDG	Indicators	2021	2020	2019
7 AFFORDABLE AND CLEAN ENERGY	Generation capacity	6,679 MW	7,596 MW	7,864 MW
	Power delivered	21,522 GWh	34,400 GWh	9,965 GWh
	Households with access to power	46,426	38,543	25,794
8 DECENT WORK AND ECONOMIC GROWTH	Workers employed	305,093	371,800	111,007
	People trained	366,093	682,117	237,798
11 SUSTAINABLE CITIES AND COMMUNITIES	Houses built	313,128	280,709	321,061
13 CLIMATE ACTION	GHG emissions reduced	14.1 million tCO_2e	22.9 million tCO_2e	9 million tCO_2e
17 PARTNERSHIPS FOR THE GOALS	Government revenues	$1,660 million	$821 million	$101 million
	Export sales	$121 million	$7.1 million	$6.1 million

GHG - greenhouse gas; GWh = gigawatt-hour; m^3 = cubic meter; MSMEs = micro, small, and medium-sized enterprises; MW = megawatt; tCO_2e = ton of carbon dioxide equivalent.
Note: Results are based on reports received as of 31 March 2022.
Source: Asian Development Bank (Private Sector Operations Department).

Awards Received by ADB, Its Investees, and Transactions

Outstanding Leadership in Sustainable Finance by a Multilateral Institution
Asian Development Bank

Multilateral Agency of the Year, Asia-Pacific
Asian Development Bank

Best Project Finance Bank Asia Pacific 2021
Asian Development Bank

Asia Pacific Development Finance Institution of the Year
Asian Development Bank

Best Trade Finance Provider Best Development Bank in Trade Finance (Global)
Trade and Supply Chain Finance Program

Sustainable Finance Award Outstanding Leadership in Sustainable Finance by a Multilateral Institution for Asia-Pacific
Trade and Supply Chain Finance Program

Recognition for Promoting Sustainability and Green Initiatives
Trade and Supply Chain Finance Program

Global Trade Review Leaders in Trade Innovation
Trade and Supply Chain Finance Program

Green Project of the Year
B.Grimm Viet Nam Solar Power Project (Phu Yen Project)
(Viet Nam)

Green Project of the Year
Green Loan for Renewable Energy and Electric Vehicle Charging Network
(Thailand)

Renewable Energy Project of the Year - Solar
Spectra Solar Power Project
(Bangladesh)

Renewable Energy Deal of the Year - Solar
Gujarat Solar Power Project
(India)

Renewable Energy Deal of the Year - Solar
Gulf Solar Power Project
(Viet Nam)

Water Deal of the Year
Binh Duong Water Treatment Expansion Project
(Viet Nam)

Water Deal of the Year
Climate-Resilient and Smart Urban Water Infrastructure Project
(People's Republic of China)

Battery Storage Deal of the Year
Southern Thailand Wind Power and Battery Energy Storage Project
(Thailand)

Asia Pacific Water Deal of the Year
Binh Duong Water Treatment Expansion Project
(Viet Nam)

Renewables Solar Frontier Market Deal of the Year
Navoi Solar Power Project
(Uzbekistan)

Editor's Choice as the Outstanding Deal in the Region
Asian Sustainable Infrastructure Mobilization Project
(Regional)

DFI Deal of the Year
Mazar Gas-Fired Power Project
(Afghanistan)

Power Deal of the Year
Mazar Gas-Fired Power Project
(Afghanistan)

Power Deal of the Year
Reliance Bangladesh Liquefied Natural Gas and Power Project
(Bangladesh)

Oil and Gas Deal of the Year
COVID-19 Emergency Energy Supply Project
(People's Republic of China)

Recognition for Supporting Sustainability
B.Grimm Viet Nam Solar Power Project (Phu Yen Project)
(Viet Nam)

Recognition for Supporting Sustainability
Georgian Green Bond Project
(Georgia)

Recognition for Supporting Sustainability
Navoi Solar Power Project
(Uzbekistan)

Note: ADB placed its regular assistance to Afghanistan on hold effective 15 August 2021.

Private Sector Operations in 2021

Report on Development Effectiveness

The *Private Sector Operations—Report on Development Effectiveness* series reviews the development effectiveness of the Asian Development Bank private sector operations, their alignment to the Operational Plan for Private Sector Operations, and their contributions to Strategy 2030 and the Sustainable Development Goals. This 12th edition of the series highlights program and project assistance including for coronavirus disease (COVID-19) response; operational priorities, including strategic focus, cofinancing and special initiatives; and activities supporting enhanced development effectiveness.

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.

ADB

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