



Asian Development Bank (ADB)

Multilateral bank with regional footprint across Asia and the Pacific



Non-regional offices

NARO: Washington, DC, USA

ERO: Frankfurt, Germany

PLCO: Sydney, Australia

1966

Year of establishment

AAA

S&P/FitchRatings

3,000+

Employees globally

33

Field offices

- ADBHQ
- ADB Field Offices
- ADB/ PSOD Field Offices

PROSPEROUS
INCLUSIVE
RESILIENT
SUSTAINABLE

ASIA AND THE PACIFIC

68 members
 49 in the region
 40 borrowing members





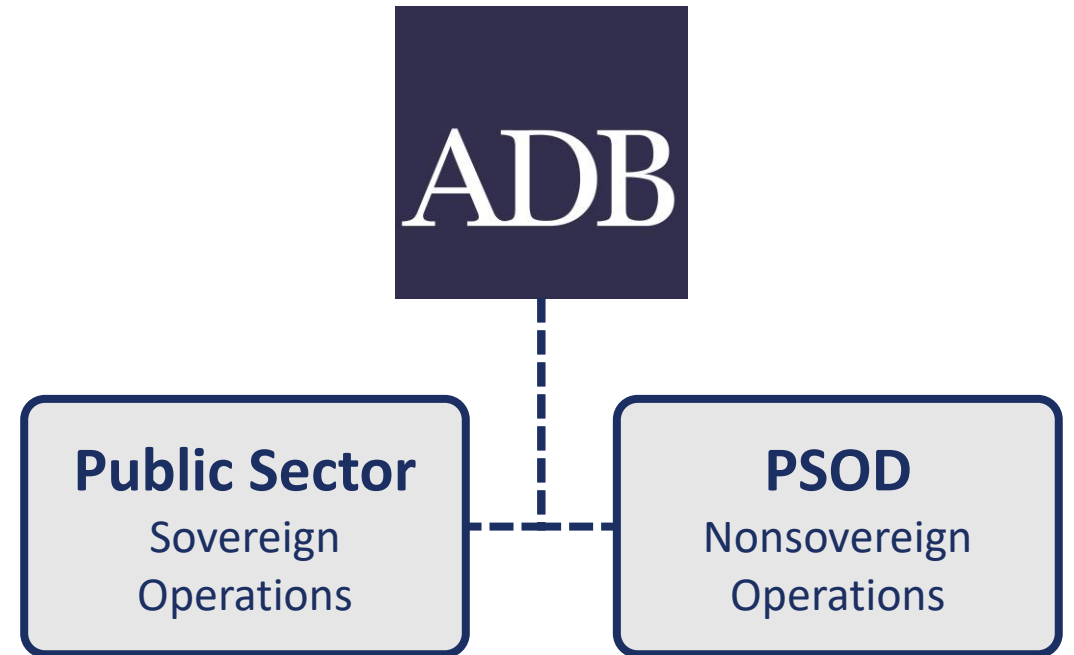
Private Sector Operations Department (PSOD)

Broadly, ADB has two “financing” departments – Public and Private sector

PSOD is responsible for all Private sector (or Nonsovereign) financing and investments - structuring and funding investments across the capital structure in privately held and state-sponsored companies across a wide range of industry sectors throughout developing Asia

- ✓ Emphasis is on **commercially viable transactions** that generate financial returns while also delivering on ADB's organization-wide mission to promote environmentally sustainable and inclusive economic growth

A key objective for PSOD is the **mobilization** of official and commercial cofinancing through trust funds under ADB administration, B Loans, credit enhancement products, and risk transfers





Achieving S2030 Operational Priorities through PSO

Integrated approach: sector, product, thematic priorities and special initiatives



- Addressing remaining poverty and reducing inequalities
- Accelerating progress in gender equality
- Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability
- Making cities more livable
- Promoting rural development and food security
- Strengthening governance and institutional capacity
- Fostering regional cooperation and integration





Product Priority Areas

Instrument

Types

Features

Debt

- Direct loans (core financing modality for PSO) >>>
- Debt instruments (e.g. project / green bonds) >>>

- Foreign and selected local currencies
- Typical tenors of 7 years (corporate) to 15+ years (project)
- Secured or unsecured

Equity

- Listed and unlisted direct equity >>>
- Private Equity Funds (PEF) >>
- Open-ended equity investments (e.g. AIF, CGIF) >

- Direct: growth companies at any stage through IPO (cornerstone or anchor investment)
- PEF: multi-sector and regional funds
- ADB Ventures: early-stage companies focused on new technologies

Guarantees

- Partial credit guarantees (PCG) >>
- Partial risk guarantees (PRG) >>

- PCG: where other lenders are more efficient in mobilizing local currency or reaching target customers
- PRG: frontier markets

Blended Finance

- Long-term loans at concessional interest rates >>> “blended” with ADB financing

- Whenever donor funds managed by ADB are available
- Applicable for climate mitigation / adaptation or low-income countries

Technical Assistance

- Project preparation TA >>
- Capacity development TA >

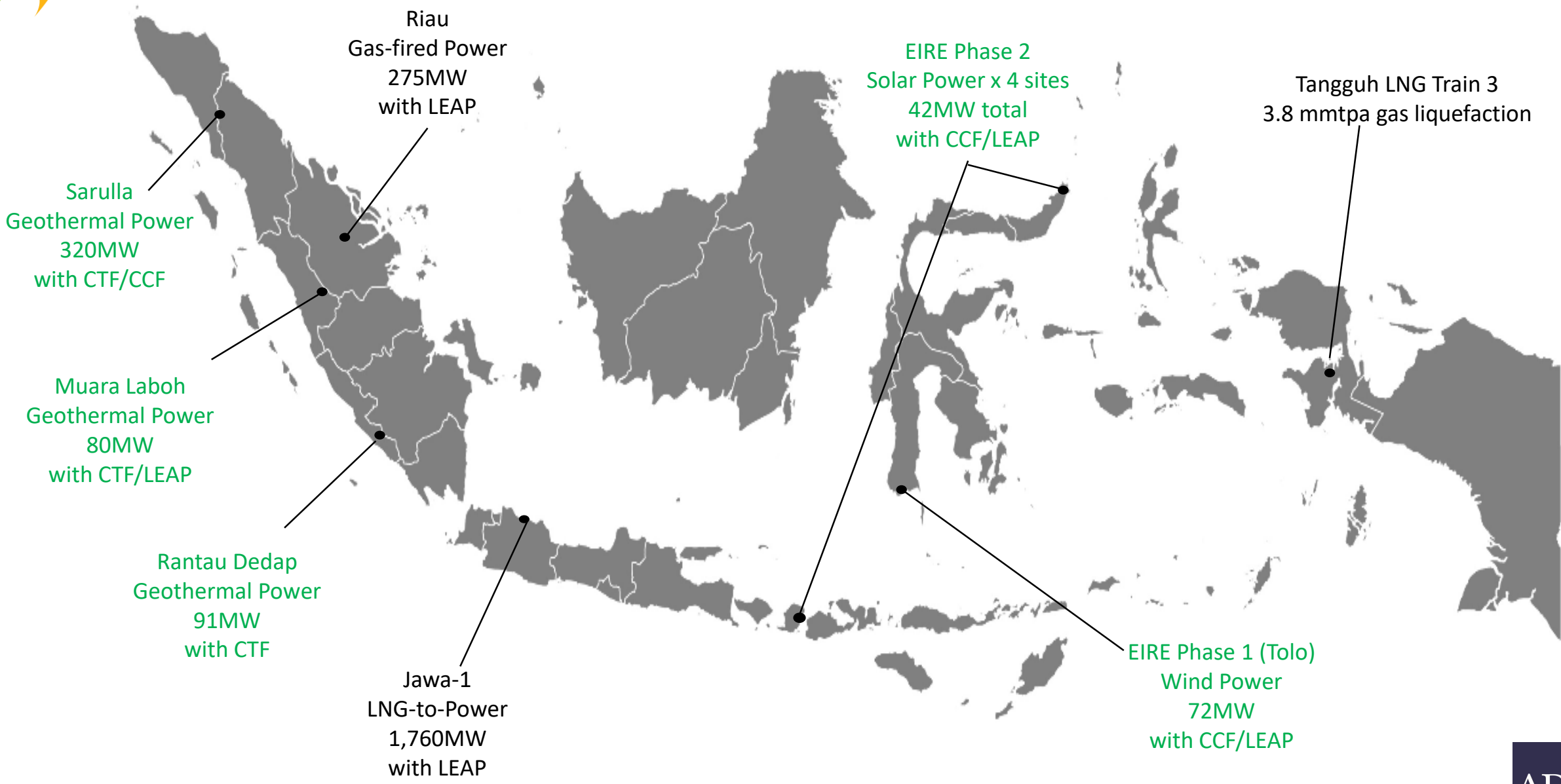
- Enhance corporate governance, environmental and social standards, risk management, gender mainstreaming, etc.
- Develop new products for underserved segments

Legend: >>> High
>> Medium
> Low





ADB non-sovereign power/energy projects in Indonesia since 2014





Case Studies (geothermal)

Sarulla 320MW Geothermal Power Project



Total Project Cost of \$1.6 billion

ADB Assistance: \$250m ADB direct loan; \$80m loan from the Clean Technology Fund⁽²⁾; \$20m loan from the Canadian Climate Fund for the Private Sector in Asia *

Cofinancing:

- \$479 million in cofinancing from Japan Bank for International Cooperation

Sponsors:

- Itochu Corporation, Kyushu Electric Power Company, Ormat International, Medco Power Indonesia

Development Impacts:

- Accelerating development of the Indonesia geothermal sector via the financing, implementation, and commissioning of the first geothermal Independent Power Producer (IPP) in Indonesia in over 10 years; avoiding the emission of 1.3 million tons of greenhouse gases (CO2 equivalent) per annum

Date Approved: 5 December 2013

Date Committed: 28 March 2014

* Mezzanine Finance

Muara Laboh 80MW Geothermal Power Project



Client: Engie, Sumitomo Corporation, and PT. Supreme Energy

ADB Assistance: \$70m loan; \$20m parallel loan from the Leading Asia's Private Sector Infrastructure Fund; and a \$19.25m concessional loan from the Clean Technology Fund (CTF)

Key Features:

- The project will develop, operate, and maintain geothermal steam resources and an 80MW power generation unit in the Liki Pinangawan Muara Laboh concession area.
- The development of baseload geothermal power plant and avoidance of carbon emissions will assist the government's efforts to achieve sustainable growth targets through private sector investment.
- Cofinanced by Japan Bank for International Cooperation and NEXI.

ADB's Value Addition:

- The concessional finance from CTF motivates developers to complete more challenging exploration programs and reach financial close.
- Demonstrate the bankability of the new geothermal PPA and the replicability of structuring solutions to manage complexities and resource risks presented by geothermal IPPs.


Date Approved: 7 December 2016

Date Committed: 26 January 2017



Case Studies (wind & solar)

Eastern Indonesia Renewable Energy Project (Phase 1)



Client: Vena Energy (former Equis)
ADB Assistance: \$56.3m loan; \$56.3m loan from the Leading Asia's Private Sector Infrastructure Fund; \$8.1m loan from the Canadian Climate Fund for the Private Sector in Asia II

Key Features:


- The project involves the construction and operation of a 72 MW wind power plant in Jeneponto, South Sulawesi, by the Equis Group. The project will be implemented under a 30-year BOT PPA with PLN, the state-owned electric utility company.
- Equis is one of Asia's largest independent infrastructure private equity fund manager with a strong focus on developing renewable energy (RE). The group operates 4.7 GW of RE assets and is the largest RE IPP in Asia and the Pacific.

ADB's Value Addition:

- Mobilize all required debt package for one of the first utility-scale wind projects in Indonesia. Indonesia's RE sector has not taken off due to the absence of supporting regulatory mechanisms, but the project will have a positive demonstration effect for the growth of the nascent RE sector.
- ADB's long term loan and the concessional loan from CFPS II will mitigate the risk of wind power and raise the project's financial viability despite the relatively low-tariff environment in Indonesia.
- Play a pivotal role in building a critical mass of first-generation RE project in Indonesia.

Approval Date: 29 November 2017
Commitment Date: 6 December 2017

Eastern Indonesia Renewable Energy Project (Phase 2)



Client: Vena Energy (former Equis)
ADB Assistance: \$12.49m loan; \$21.9m loan from Canadian Climate Fund for the Private Sector in Asia II; \$5.8m loan from Leading Asia's Private Infrastructure Fund

Key Features:

- This transaction follows phase 1 of the project where ADB provided financing for a 72 MW wind farm.
- Phase 2 are the first utility-scale solar PV plants by the private sector in Indonesia. It consists of a 21 MW solar PV power plant in Likupang, North Sulawesi, and three 7 MW solar PV power plants in Lombok, West Nusa Tenggara. These solar power plants will supply energy to PLN, Indonesia's national power utility.

ADB's Value Addition:

- Mobilize all required debt package for the first utility-scale solar PV projects in Indonesia. Indonesia's RE sector has not taken off due to the absence of supporting regulatory mechanisms, but the project will have a positive demonstration effect for the growth of the nascent RE sector.
- ADB's long term loan and the concessional loan from CFPS II will mitigate the risk of solar power and raise the project's financial viability despite the relatively low-tariff environment in Indonesia.
- Play a pivotal role in building a critical mass of first-generation RE project in Indonesia.

Approval Date: 11 April 2018
Commitment Date: 19 April 2018



What is next?

Opportunities and challenges

1. Renewable Energy, Waste-to-Energy, and Water

- Impacts from COVID-19 crisis are relatively light compared to other sectors.
- Private Sector investors are still keen to invest in these sectors as long as the economics and risk allocation regime are fair and predictable.
- Crucial to produce a investable/bankable set of template structure and contracts (e.g. PPA) to enhance investor/lender confidence and predictability.
- Given extensive trackrecord of ADB-PSOD in providing PF in Indonesia, PSOD can provide inputs.

[2. Transport

- Given the logistical challenges of being a country with 17,000 islands, there is a lot to be done in transport sector, especially seaports and airports.
- Greater involvement of private sector investors by proliferating well-structured PPPs can bring efficiency in accumulating the much needed infrastructure while expediting the transition to low emission transportation modes.
- However, business viability of the sector is being severely hampered by COVID-19 crisis.]