



Asian Development Bank

FIGHTING POVERTY IN ASIA AND THE PACIFIC



Bretton Woods: Multilateral Roundtable Discussion

by

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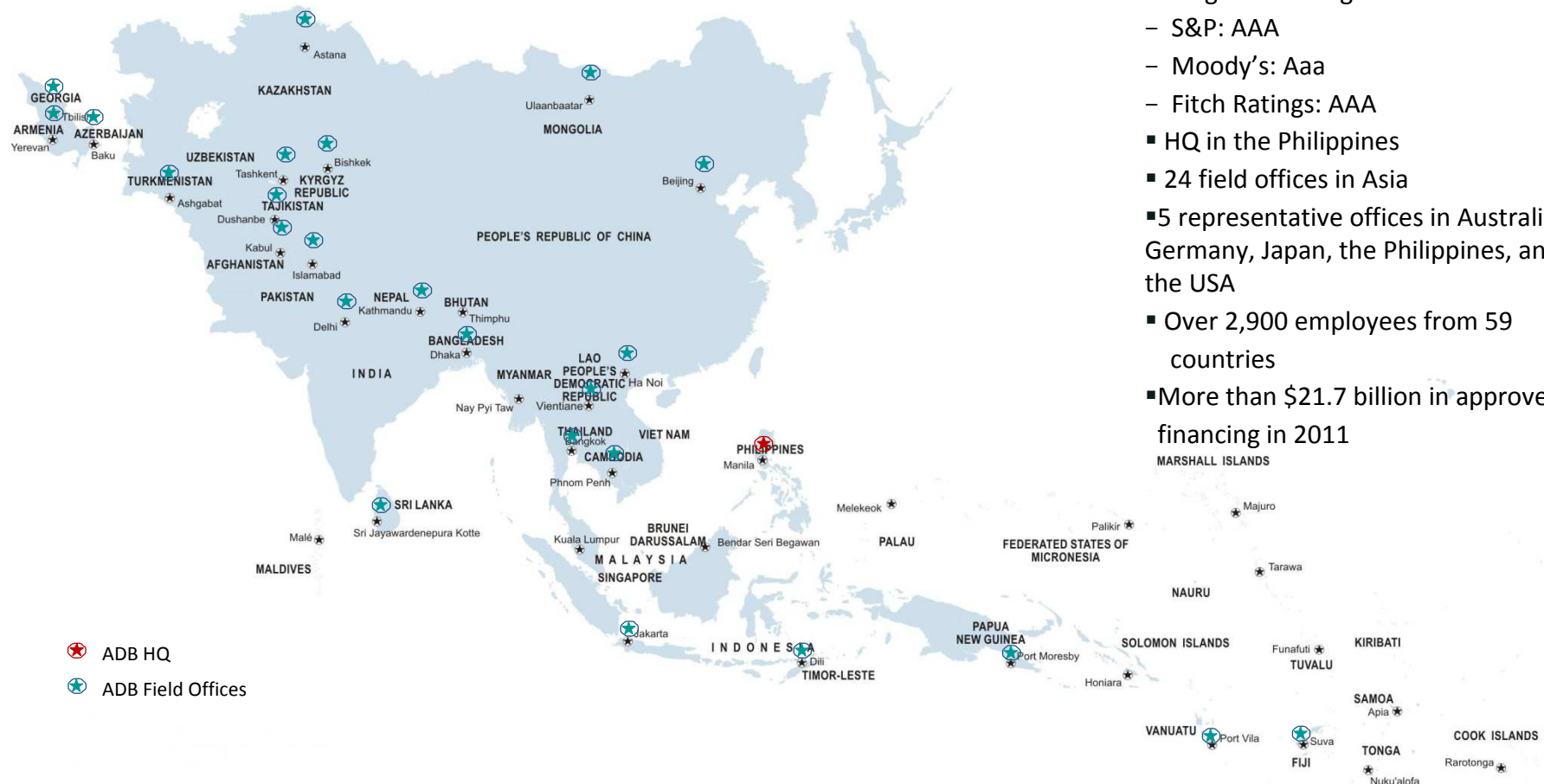
- Overview of ADB
- Private Sector Development
- ADB: A Knowledge Institution
- ADB Financials and Funding to Support Strategy 2020
- Conclusion

ADB Overview of ADB

ADB was established by agreement of its member countries to foster economic growth and co-operation in the Asia Pacific region, and to contribute to economic development of its developing member countries in the region.

Quick Facts

- Established in 1966
- Long-term ratings:
 - S&P: AAA
 - Moody's: Aaa
 - Fitch Ratings: AAA
- HQ in the Philippines
- 24 field offices in Asia
- 5 representative offices in Australia, Germany, Japan, the Philippines, and the USA
- Over 2,900 employees from 59 countries
- More than \$21.7 billion in approved financing in 2011



VISION	ADB's vision is an Asia and Pacific region free of poverty
MISSION	To help its developing members reduce poverty and improve their living conditions and quality of life
MODE OF OPERATION	<p>ADB finances projects and programs in its developing members</p> <p>Main instruments in providing help to its developing members are loans, technical assistances, grants, guarantees, equity investments, and policy dialogues</p> <p>In addition, ADB supports private enterprises of developing members through equity investments, guarantees, and loans</p>

ADB ADB is a *UNIQUE* Institution.

- Sovereign:
 - Concessional Lending (from Asian Development Fund)
 - \$2 billion (loans)
 - \$0.6 billion (grants)
 - Non-concessional Lending (from Ordinary Capital Resources)
 - \$9.1 billion (loans)
 - Other products: \$150mm equity investments
- Non-sovereign:
 - Market-based lending (from Ordinary Capital Resources)
 - \$1.6 billion (loans)
 - Other products: \$89 mm equity investments and \$417 million guarantees
- Both ADB and OCR resource allocation is made to blend borrowers to Asia.
- This pattern of resource allocation may have significant implications if ADB adapts its operational business models in the medium-term.

ADB The Poverty Challenge in Asia and the Pacific

- 1.7 billion people live with less than \$2 a day
- Over 100 million children under 5 are underweight



- 750 million people in rural areas in Asia and another 100 million in urban areas lack access to drinking water
- 2 billion people lack access to improved sanitation

- 828 million people live in extreme poverty
- 1 child out of 20 dies before reaching age 5



ADB Private Sector Development

We have a multi-pronged approach to private sector development.

- ADB believes that a vibrant private sector:
 - is essential to long-term economic growth;
 - advances employment , productivity and new technologies; and
 - through payment of taxes, enables governments to invest in public goods and services, including basic social services.



Sectors of Intervention in Private Sector



Infrastructure

- Energy (incl. Power)
- Transport
- Telecommunications
- Water
- Urban Infrastructure



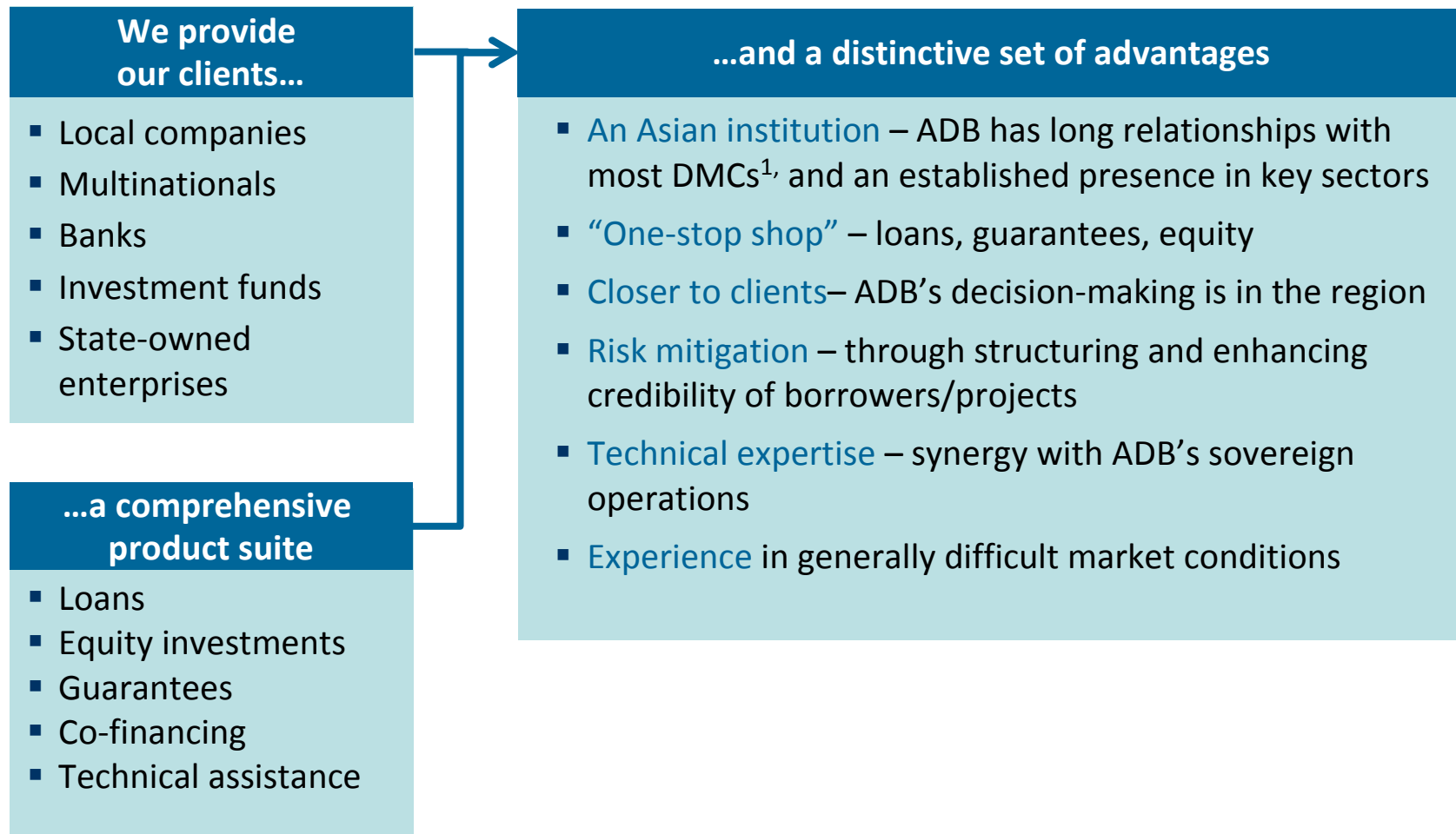
Capital Markets & Financial Sector

- Banks
- Non-bank Financial Institutions
- Private Equity Funds



ADB's Value Proposition in Private Sector

Private sector partners benefit from ADB's unique set of advantages.

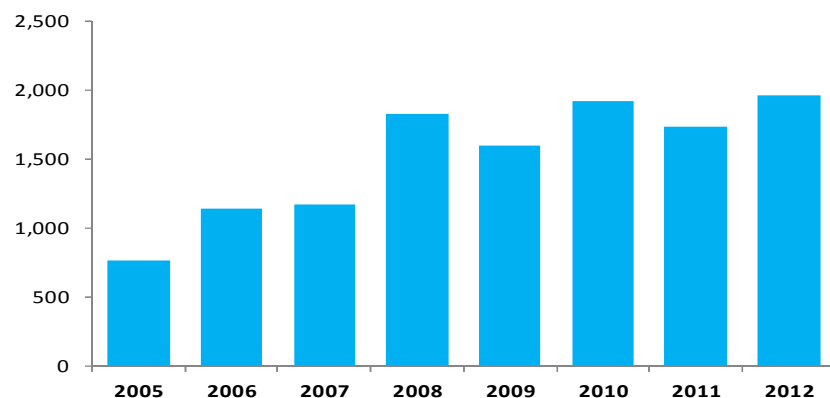


ADB: Partner of Choice

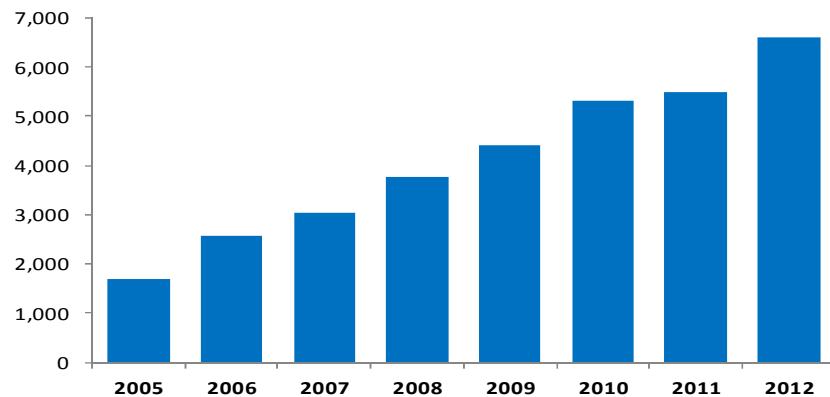
The Private Sector operations has continuously developed its diverse portfolio. As of 31 December 2012, the size of total portfolio is \$6,606 million.

Historical Growth

Annual approvals (\$ million)

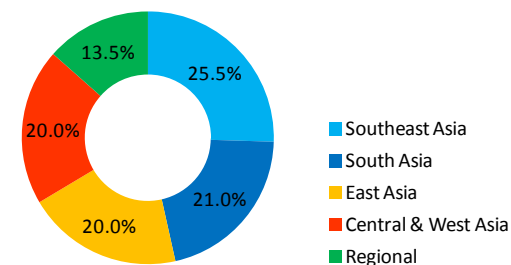


Total exposure (\$ million)

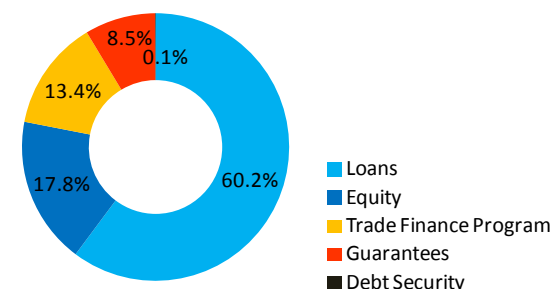


Portfolio Diversity (as of 31 Dec 2012)

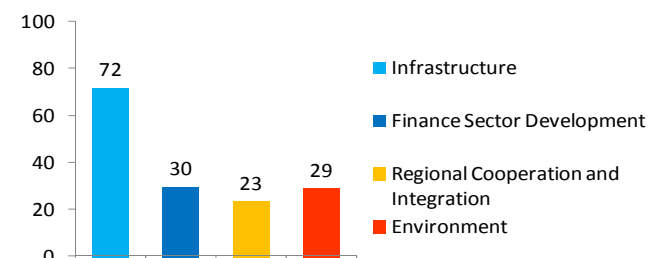
By geography



By product type



By operational area





Challenges and Opportunities: The Financing Gap

- To sustain its growth, Asia needs to invest approximately \$8 trillion in national infrastructure, and an additional \$290 billion in regional infrastructure between 2010 and 2020.
- The private sector accounts for a mere 20% of infrastructure investment in Asia, while public financial resources fund 70% and the remaining 10% is funded by official development assistance.
- The private sector's share needs to expand to cover the gap in financing needs to ensure sustainable development.

- Knowledge is a powerful catalyst for propelling development forward and enhancing its effects.
- Developing Asia wants access to the best regional and global knowledge to address their complex challenges.
- Developing Asia aspires to become a knowledge-based economy and society.
- ADB will play a bigger part in putting the potential of knowledge solutions to work in the Asia and the Pacific region.
- Finance ++

- ADB Financials and Funding to Support Strategy 2020

Three pillars to support ADB's AAA rating

- Shareholder support

As shown:

- Most recent capital increase in 2009 with tripling of ADB's subscribed capital to \$165 billion including callable capital; and
- Successful ADF XI replenishment of \$12.4 billion in 2012 to fund operations (2013-2016)

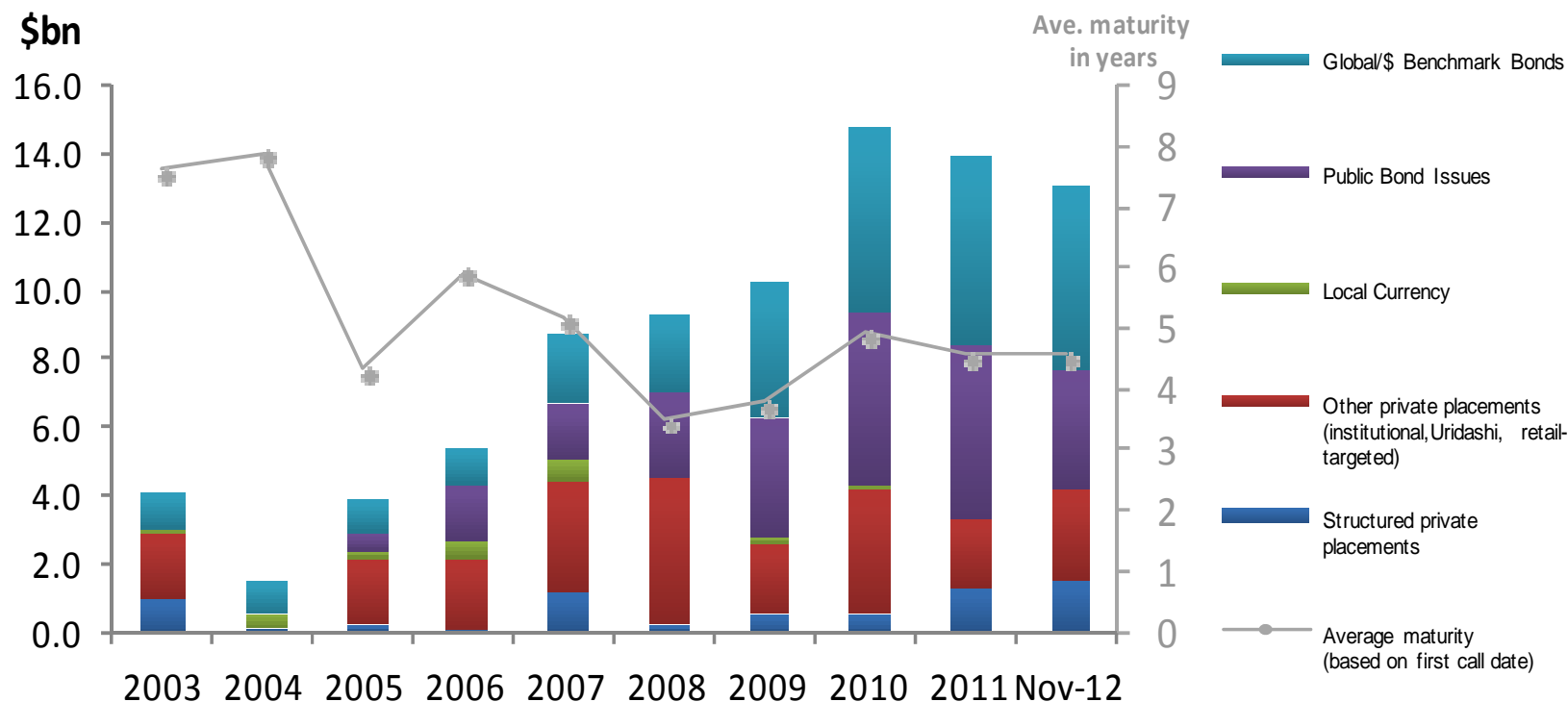
- Preferred creditor status and guarantee

- Member government grant ADB loans preferential consideration including access to foreign exchange reserves.

- Prudential financial policy framework and practices

- “The Bank shall be guided by sound banking principles in its operations.” [ADB Charter]
- Financial policy framework defines the financial boundaries and benchmarks (capital adequacy, ALM, Liquidity etc.). Balancing the lending capacity and financial strength.
- Best practices in daily financial management supported by “governance” and “analytical tools”

Borrowings: 2003–2012

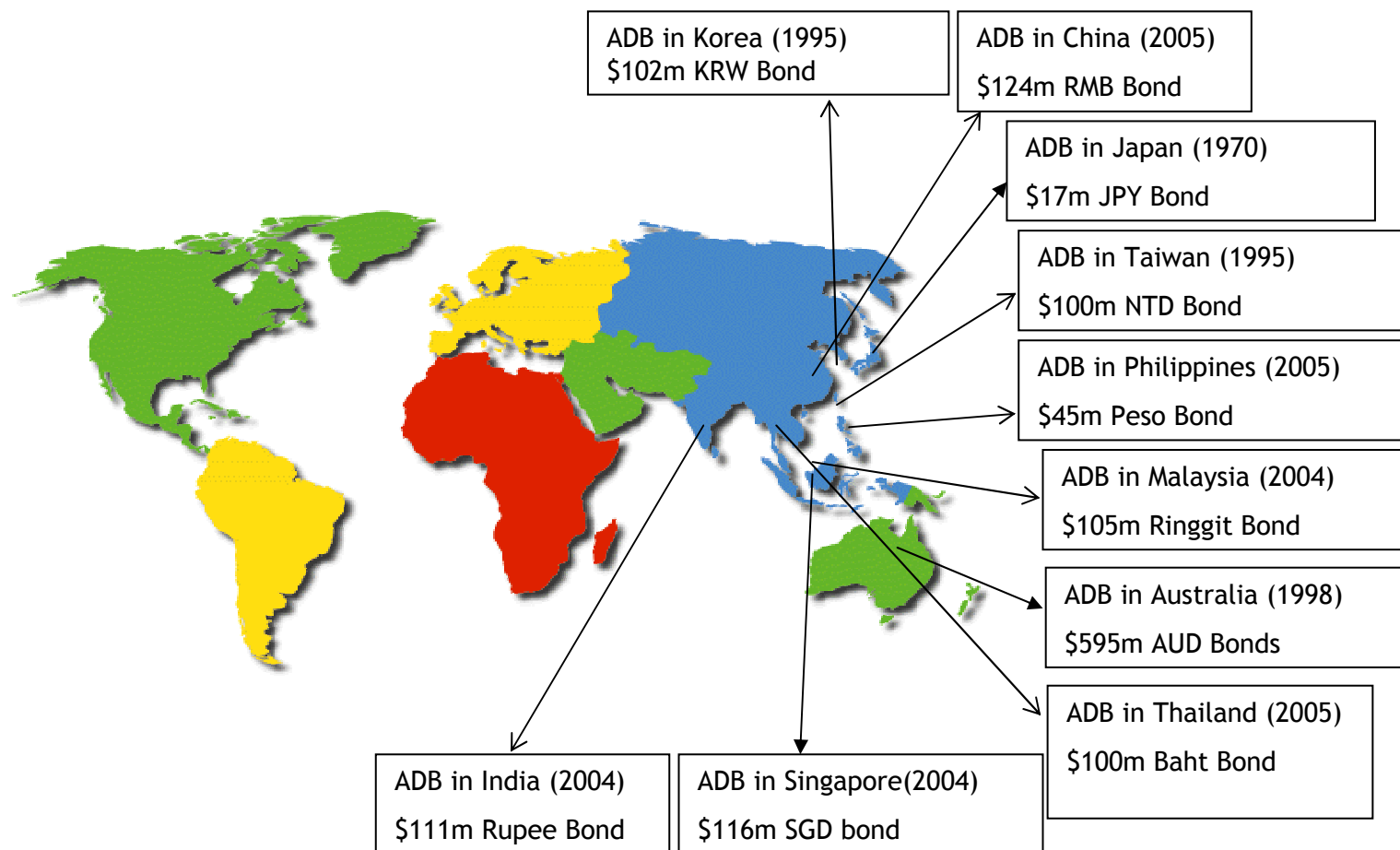


	2003	2004	2005	2006	2007	2008	2009	2010	2011	Nov 2012
No. of Currencies	5	6	7	13	13	6	7	9	9	8
No. of Transactions	64	19	64	51	94	113	44	92	68	76

Note: Excluding Euro Commercial Papers (ECPs). Year 2012 figures include trades up to 30 November 2012.



ADB continued Support for Local Currency Bond Issuances in Asia and the Pacific





Supranational bond issuance benefit the development of the local currency bond market

- Provides local investors with an opportunity to **diversify their portfolios** with low risk assets.
- Provides an important “**signal effect**” drawing local and international attention to a market that serves to attract foreign investors and issuers.
- By following international best practice standards and working, directly and indirectly, with the local financial sector, helps **transfer financial know-how**; legal framework, documentation, international best practices, settlement procedures, credit pricing.
- Helps **develop the local corporate bond yield curve and establish pricing benchmarks** that can be used by local issuers.
- Provides a source of local currency to ADB, which is used to **lend in the host country**. Enables ADB borrowers with no foreign currency revenues to avoid currency mismatches.

ADB Conclusion

- Our vision remains the same. But, we will need to: Be more focused on inequality, climate change and other environmental issues, middle income trap, and regional integration.
- Multilateral banks can still play unique roles and attract financing. ADB can focus on infrastructure financing, and other interventions needing sector wide knowledge and ability for policy dialogue.
- Asia continues to see huge demand including infrastructure financing.
- The private sector has, and will continue to play a pivotal role in the provision of needed infrastructure and the deepening of financial and capital markets throughout Asia and the Pacific.
- Knowledge should be client-oriented and operationalized.
- ADB shareholder support, risk management enhancement and strong financials enable AAA rating.