

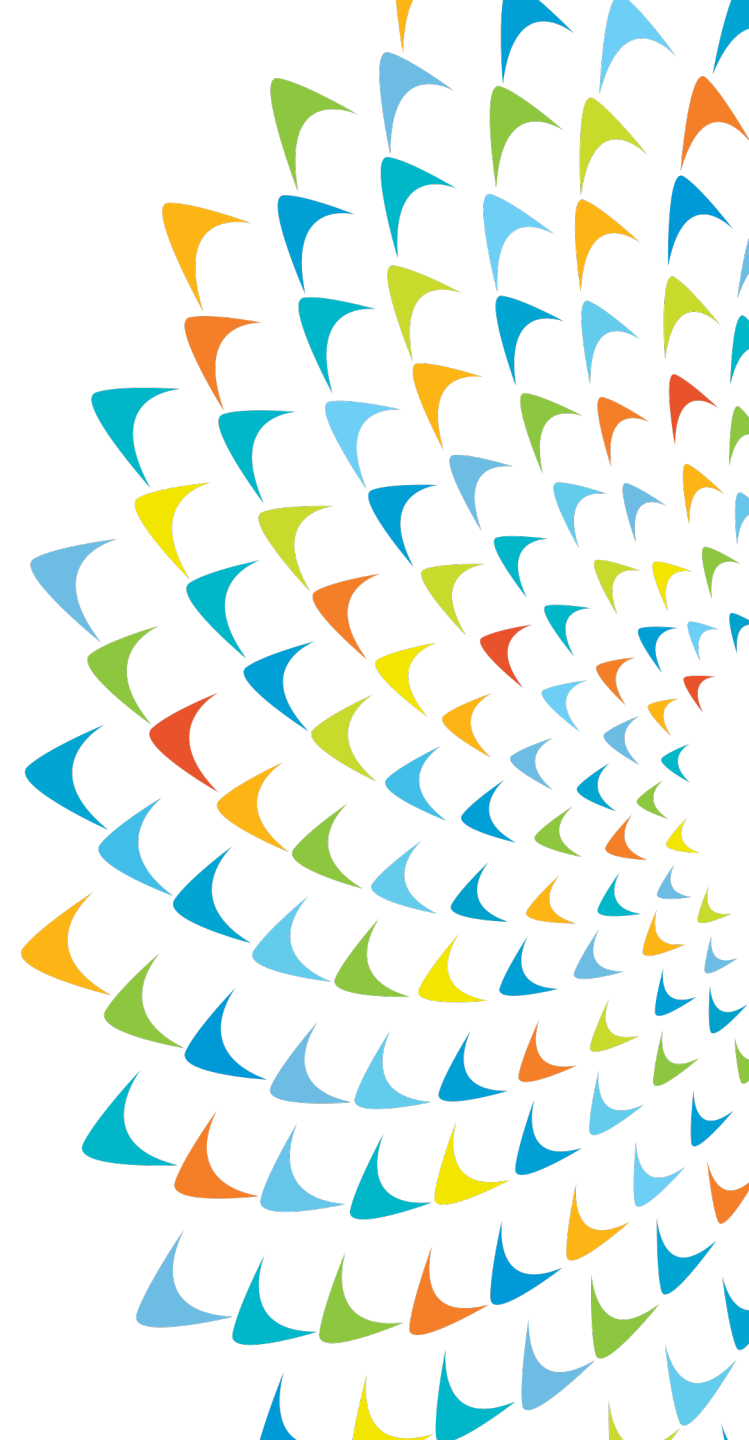


# Financing decarbonization in Central Asia

Asian Development Bank

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# Strategy 2030 and Private Sector Operations

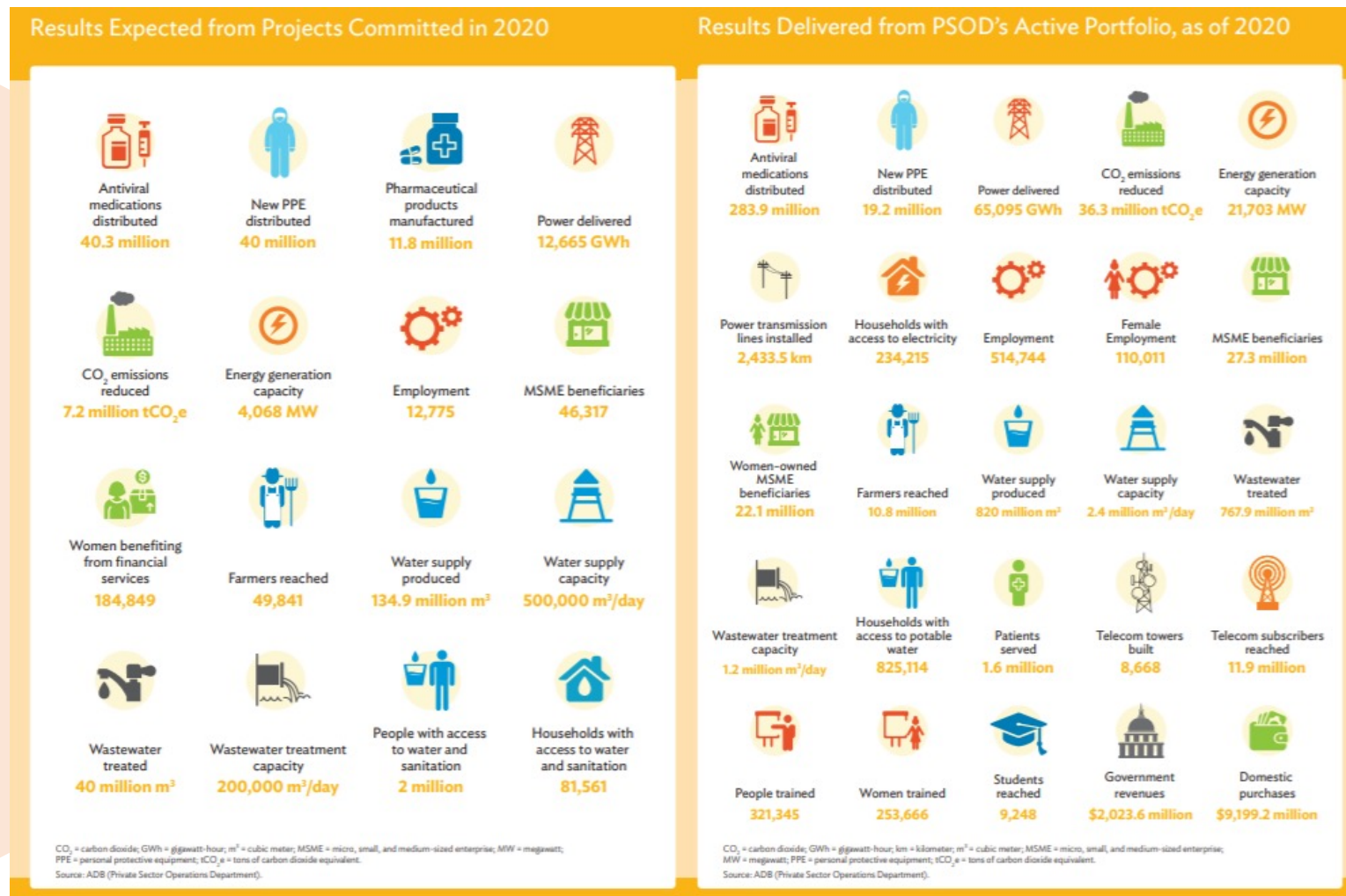
ADB's PSO will reach  
one-third  
of ADB operations  
in number by 2024

*Strategy 2030: Achieving a Prosperous, Inclusive,  
Resilient, and Sustainable Asia and the Pacific, July 2018*

-  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



# Private Sector Operations: Delivering Development Impact



# How ADB can assist the Private Sector

**ADB can play a key role in helping to:**

- Improve business environment
- Increase the number of bankable projects
- Create markets
- Crowd-in private financing
- Blended Finance

**ADB can multiply the development impact of our interventions by leveraging our:**

- Relationships with governments and private sector clients
- Financial intermediaries for greater reach and diversification
- Knowledge products and advice on business incubation and PPPs
- Financial capacity to mobilize even greater amounts

# Market context in Central Asia

## High potential and pragmatic political will towards:

- Decarbonization (Paris Agreement) and diversification of economies
- Attraction of reputable sponsors that export innovative financial structures
- Creation of new industries and jobs
- Attraction of BAT
- Decrease of electricity costs
- Crowding-in private financing

## Critical components:

- Stable legislation
- Implementation track-record



# Products

Instrument	Typical Size	Typical terms	When is it relevant?
Debt	\$20M - \$500M	<ul style="list-style-type: none"> <li>• 7 years (corporate) to 15+ years (project)</li> <li>• SOFR/ ADB cost of funds in local currency + credit spread</li> <li>• Secured or unsecured</li> </ul>	<ul style="list-style-type: none"> <li>• Established company with large balance sheet, strong cash flow</li> <li>• Possibility to mobilize co-financing under B-loan or risk participation</li> </ul>
Equity	\$2M - \$100M	<ul style="list-style-type: none"> <li>• 25% ownership maximum</li> <li>• Board seat, Advisory Committee seat</li> <li>• Minority protection rights</li> <li>• Put on the parent company</li> </ul>	<ul style="list-style-type: none"> <li>• Direct: growth companies at any stage through IPO (cornerstone or anchor investment)</li> <li>• PEF: single, multi-sector, country and regional funds</li> <li>• ADB Ventures: early-stage companies focused on new technologies</li> </ul>
Guarantees	\$20M - \$500M	<ul style="list-style-type: none"> <li>• Partial credit guarantees (PCG): market-based, fees based off lenders' margin</li> <li>• Political risk guarantees (PRG): market-based, fees based off reinsurance market</li> </ul>	<ul style="list-style-type: none"> <li>• Where other lenders are more efficient than ADB in mobilizing local currency, or reaching target customers (PCG)</li> <li>• In frontier markets (PRG)</li> </ul>
Blended Finance (BF)	\$5M - \$20M	<ul style="list-style-type: none"> <li>• Lower pricing, longer grace periods and/or tenors, subordination, sculpted repayment profiles, reduced security and/or collateral, and/or capped or collared returns</li> </ul>	<ul style="list-style-type: none"> <li>• When transactions demonstrate strong rationale for BF and adherence to DFI-agreed principles – additionality, crowding-in, commercial sustainability, reinforcing markets, promoting high standards</li> </ul>
Technical Assistance	\$0.5M - \$1M	<ul style="list-style-type: none"> <li>• For project preparation TA, reimbursable at closing</li> <li>• For capacity development TA, non-reimbursable grant</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance corporate governance, environmental and social standards, risk management, gender mainstreaming, etc.</li> <li>• Develop new products for underserved segments</li> </ul>

# Mobilization

Strategy 2030 target of \$2.50 long-term cofinancing for every \$1.00

**B-loans** (ADB as lender of record for commercial banks lending cross-border in US dollars)

**PCGs** (comprehensive credit cover on portion of loan / bond)

**Third-Party Funds and Asset Management** particularly in areas such as infrastructure and climate change

Scaling up of **PPPs**, **transaction advisory services** and **project preparation support** through Asia Pacific Project Preparation Facility

**Local currency complementary loans** to mobilize onshore finance

**PRGs** (cover non-payment caused by political risk events)

**Concessional / Blended Finance** deployed on more favorable terms than market

Coordination, cooperation and harmonization on **cofinancing** with other **international financial institutions**

**Parallel loans** from other lenders on commercial terms to same project

**Risk transfers** to third parties such as insurance companies and banks

Support of **capital market issuances** (particularly ESG, green and climate bonds)