



Key Challenges

- Weak foundation for finance sector development including in FCAS, SIDS, and low-income countries
- Limited access to financial services for MSMEs and vulnerable populations, including women
- Gap in long-term finance for infrastructure
- Lack of financial framework to address the impacts of natural hazards, related disasters, and climate change.
- Limited role of banks in climate lending to date

Finance Sector Directional Guide: Six Operational Areas of Focus

Catalyzing

- Enhancing support and crowding in the private sector to emerging areas such as SDG-aligned financing, including transition, green, and blue financing
- Promoting long-term finance and quality infrastructure

Inclusive

- Leveraging digital technology to deliver financial services for financial inclusion
- Expanding financing to MSMEs and women

Foundational

- Establishing frameworks for disaster and epidemic risk financing
- Strengthening foundations of the sector

Finance Sector Directional Guide: Six Guiding Implementation Principles

- Exploring innovative modalities and products
- Expanding private sector operations
- Taking differentiated approaches to address diverse client needs
- Achieving quality finance operations through cross-sector and thematic approaches under the One ADB
- Promoting effective collaboration through knowledge partnership
- Building skills and resources in emerging areas

Strategy 2030 Finance Sector Directional Guide, approved in November 2022, explains how ADB can support developing member countries through innovative financing solutions, knowledge management, and technical assistance for a sustainable financial sector in Asia and the Pacific.

Finance Sector under the NOM: Climate Change and Private Sector Development Shifts

The launch of ADB's New Operating Model (NOM) further highlights the roles of the finance sector in accelerating climate financing, mainstreaming the transition to a net-zero economy, strengthening disaster resilience, supporting gender-inclusive financing through SMEs, and strengthening private sector's role in the finance sector to mobilize private investments in the region. Dedicated teams within the Finance Sector have been created to support the Climate Change Shift and Private Sector Development Shift.

In particular, the Finance Sector will develop the policy, regulatory, and institutional frameworks for private sector participation in climate finance; strengthen private and public sector financial institutions' commitment to climate actions; and address market failures.

Knowledge Solutions

The Finance Sector has produced knowledge products such as guidance notes, books, technical reports, policy briefs, policy tool kits, assessment papers, and research papers. Knowledge events such as the Asia Finance Forum and capacity building activities are also useful for knowledge management and sharing. The Finance Sector has developed knowledge partnerships with the Glasgow Financial Alliance for Net Zero and standard setting bodies such as the International Organization of Securities Commissions and the International Association of Insurance Supervisors to strengthen ADB's role as a knowledge provider to member countries. Going forward, knowledge solutions will be more closely tied to the sector's operations.

PORTFOLIO: \$2.5 billion

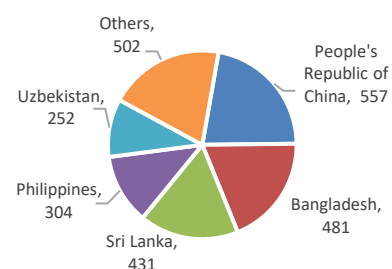
(31 December 2023)

Around 82% of ADB's finance sector operations are in 3 regions— South Asia (37%), East Asia (25%), and Southeast Asia (20%).

By DMC

Almost 80% of the current portfolio is in 5 DMCs— People's Republic of China (22%), Bangladesh (19%), Sri Lanka (17%), the Philippines (12%), and Uzbekistan (10%).

By DMC (\$ million)

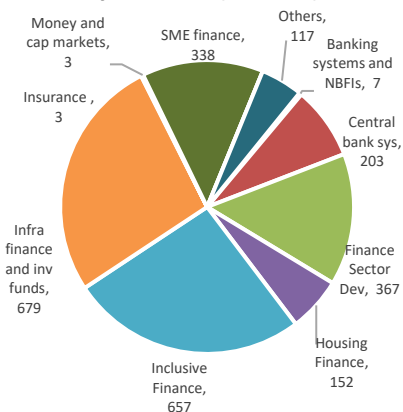


Others = Azerbaijan, Bhutan, India, Indonesia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Papua New Guinea, Samoa, Viet Nam, Regional

By subsector

About 68% of the current portfolio are in 3 subsectors—infrastructure finance and investment funds (27%), inclusive finance (26%), and finance sector development (15%).

By Subsector (\$ million)



Note: Includes ADB funds and cofinancing
Source: Finance Sector Office Database

Subregional Portfolio and Pipeline Highlights

Central and West Asia

\$411.8 million, 2 PBLs, 1 FIL, 9 TAs

- **Uzbekistan: Small and Medium-Sized Enterprises Development Program, Subprogram 2 (\$100 million, approved in Dec 2023).** This policy-based loan supports SMEs an enabling environment for growth, diversification, and to create high-value-added jobs. The second subprogram covers reforms to diversify financial instruments for SMEs to help reduce the cost of doing business, trade facilitation, and skills development to improve human capital and also upstream finance policies to promote downstream investments including from the private sector.
- **Pakistan: Women Inclusive Finance Sector Development Program (\$155.5 million, approved in Dec 2023).** This innovative Sector Development Program aims to enhance women financial inclusion by combining an enabling environment reforms as well as a financial intermediary loan to provide credit to MSMEs owned by women.
- **Kazakhstan: Promoting Inclusive and Green Housing Finance (\$200 million, expected approval by 2024)** financial intermediation loan will promote affordable residential mortgage finance to beneficiaries that are significantly underserved in the market including women, the low-to-moderate income population and young families. The project will also support the development of the mortgage market through mainstreaming the first green mortgage products in the country. This will enable the commercial bank sector to leverage the creation of a benchmark green mortgage framework to expand their mortgage offerings to the broad population.
- **Pakistan: Climate and Disaster Resilience Enhancement Program (\$400 million, expected approval by 2024).** The policy-based loan will support the enhancement of Pakistan's resilience to disasters triggered by natural hazards and the impacts of climate change.

South Asia

\$1,024.7 million, 6 FILs, and 11 TAs

- **India: Facility for Accelerating Environmental, Social and Healthcare Infrastructure Development (\$500 million, expected approval by 2024).** The loan through IIFCL aims at accelerating environmental, social and healthcare infrastructure development. The finance team will take a collaborative approach to process this FIL including the energy, health, transport, and urban sector to co-lead or as team members. It is also expected that this will be the first of several large FILs projects in India for 2024/2025.
- **Sri Lanka: Financial Sector Stability and Reforms Program (\$200 million each subprogram, with subprogram 1 approved in December 2023).** The 2 subprogram loans supporting reforms in the banking sector will be critical to preserve the financial stability of a country going through difficult times.
- Reforms include improving the governance of the banking sector, improving the asset quality of banks, and enhancing access to finance for women and MSMEs. ADB is providing significant technical assistance, including with the asset quality review. Over the medium-term, the program will transition from financial stability to financial inclusion.

Pacific Region

\$22.8 million, 5 TAs

- **Samoa Agribusiness Support Project (\$10.34 million, ongoing until 2024).** Risk share facility, providing 80% cash collateral for first-time agribusiness borrowers and 50% cash collateral for second-time borrowers. With 80% utilization rate, the facility has mobilized over 10 million tala in gross loans to agribusiness through participating banks, of which 70% of the beneficiaries were women-owned or women-managed agribusinesses. Sustainable exit options are being explored.
- Five financial sector TAs are implemented in the Pacific region. These TAs facilitate project development, promote finance sector development, improve compliance with customer due diligence requirements in banking, pilot technology platforms, modernize finance sector legal frameworks, support MSME finance, establish and improve business and securities registries, and provide upstream support for private sector development. The TAs are funded from several sources, including the ADB special funds and cofinancing from Australia, New Zealand, and the European Union.

East Asia

\$560.9 million, 4 projects, 17 TAs

People's Republic of China (PRC)

- Development of a comprehensive disaster risk finance mechanism, a provincial public finance framework, and a disaster risk funding pool in Hainan.
- Facilitation of blue finance at a regional city commercial bank, Bank of Qingdao, in Shandong Province to promote sustainable ocean economy.
- **Bank of Xingtai Green Finance Development Project (\$198.5 million, ongoing till 2027).** Development of green finance facility at a regional city commercial bank, Bank of Xingtai, in Hebei Province by adopting international and domestic green finance taxonomies, ESG, green finance IT system, environment impact measures, and disclosure standards in its lending operations.
- **Shandong Green Development Fund Project (\$200 million, ongoing until 2027)** Introduction of an innovative financing mechanism to catalyze private, institutional, and commercial capital for the development of climate positive infrastructure and business in Shandong Province.

Mongolia

- **Supporting the Credit Guarantee System for Economic Diversification and Employment (\$60 million, 2023)** seeks to alleviate SMEs' financing constraints by backing credit guarantees provided by the Credit Guarantee Fund of Mongolia to achieve economic diversification, resilience, and inclusion.
- **Climate Change Support Program (\$100 million for 2024 approval):** A climate policy-based loan will build on a whole-of-government reform program to support the implementation of Mongolia's Nationally Determined Contributions on mitigation and adaptation and accelerate investments in climate actions.

Southeast Asia

\$517.2 million, 1 PBL, 2 FILs, 7 TAs

Indonesia

- **Promoting Innovative Financial Inclusion Program three subprograms (\$500 million each, ongoing).** Policy based lending to support innovative financial inclusion by enhancing access to financial services for vulnerable groups such as MSMEs, women, youth (including the launch of world's first ever dedicated national financial inclusion strategies for women, and youth) and the rural population, accelerate adoption of digital infrastructure and financial technology (including launch of Eastern Indonesia Financial Innovation Lab – EIFIL, Indonesia Payments Systems Blueprint 2025, and OJK Digital Financial Innovation Roadmap and Action Plan), enhance regulatory framework for market conduct supervision, consumer protection, and financial literacy (including innovative financial education and career exploration program – Y-Bank, and Smart Indonesia Digital Financial Literacy Series) promote equality, which ultimately will lead to inclusive growth.
- **Sustainable Development Goals Indonesia One– Green Finance Facility (Phase 1) (\$150 million, ongoing until 2027)** is an innovative financial intermediation loan to the Republic of Indonesia, re-lent to PT Sarana Multi Infrastruktur (Persero) (PT SMI), a state-owned infrastructure financing institution, to implement the project by onlending to subprojects that contribute to Indonesia's commitments to climate change and SDGs. It will finance subprojects that meet green, financial bankability and leverage targets to catalyze private capital. It has predefined subproject and subborrower eligibility criteria under 2 windows: the Green Window and the SDG for Urgent COVID-19 Recovery Window. It is the first green finance facility in Southeast Asia.

Philippines

- **Inclusive Finance Development Program, SP3 (\$300 million, approved in Nov 2023)** Financial inclusion reforms in the Philippines focusing on the poorest 40% of the population and rural residents, to more than double the number of Filipinos holding an account at a formal financial institution by 2024.
- **For 2024–2025 approval:** Policy based lending, technical assistance and knowledge products to support market development programs. This should address infrastructure financing, building institutional investor capacity, enhancing regulatory and supervisory capacity. It should also promote the development of government bond market and subnational bonds, promote the adoption of fintech, market digitalization, financial inclusion, and literacy addressing MSME financing, developing agriculture value chain financing and insurance, and strengthening of rural banks.

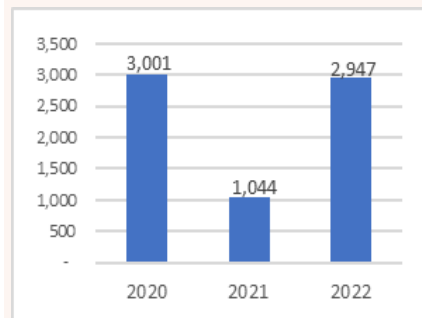
Southeast Asia TAs

- Seven technical assistance operations are being implemented in Southeast Asian countries. These support financial market development, promote financial inclusion and literacy, assist the adoption of technology to address market access and improve cost of doing business, promote regional standards in green bonds and corporate governance, and facilitate development of green financing

PORTFOLIO: \$2.5 billion

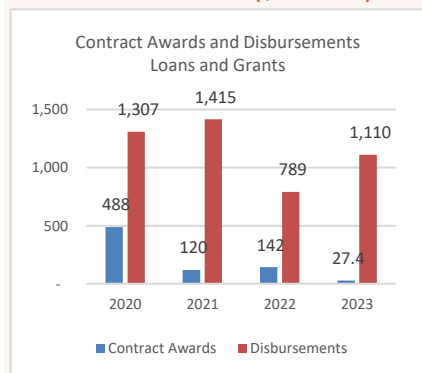
(31 December 2023)

Last 3 Years of Annual Commitment (\$ million)



Note: ADB funds only. Includes sovereign and nonsovereign operations. Source: Finance Sector Office Database

Last 3 Years of Contract Awards and Disbursements (\$ million)



Note: ADB funds only. Years 2020–2022 covers regional departments; 2023 for SG-FIN only.

Source: Operations Dashboard

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Knowledge Solutions in Innovative and Emerging Areas in the Finance Sector

Sustainable Finance

- **Leveraging Financial Markets and Instruments for Meeting the Sustainable Development Goals (\$1.5 million, ongoing until 2026)** builds the capacity of ADB developing member countries (DMCs) to leverage financial markets and instruments to help meet their Sustainable Development Goal (SDG) commitment to end poverty, fight inequality, and tackle climate change while addressing systemic risk by supporting diverse sector and thematic initiatives that mobilize finance; promote knowledge; use innovative technology; and build strategic partnerships with governments, businesses, and peer international organizations to address financing gaps for sustainable development.
- **Supporting Climate Action in Finance Sector Operations (\$1.25 million, ongoing until 2026)** aims to strengthen the ADB member countries' ability in the finance sector to address climate change impacts and catalyze climate finance to support their transition to a climate-resilient and low-carbon economy. It has two key outputs: (i) policy, regulatory, and supervisory frameworks for addressing climate change risks in the finance sector developed; and (ii) knowledge on innovative financing approaches for addressing climate change risks improved. Countries covered by this TA are Bangladesh, Indonesia, Mongolia, Philippines, and Viet Nam for a total TA amount of \$1.25 million. We are working with knowledge partners such as the [Glasgow Financial Alliance for Net Zero Asia Pacific Network](#) in conducting the capacity building programs for the target DMCs.
- **Strengthening the Enabling Environment for Disaster Risk Financing (Phase 2) (\$1.0 million, ongoing until 2024)** will enhance financial resilience to disasters triggered by natural hazards, epidemics, and pandemics in selected ADB member countries by supporting assessments of enabling environment for disaster, epidemic, and pandemic risk financing, and conducting regional knowledge sharing events on developing risk financing frameworks.

Digital Finance and Innovation

- **Developing Digital Financial Infrastructure and Enhancing Financial Access for Resilience and Recovery in Asia and the Pacific (\$1.2 million, ongoing until 2027)** will support the development of digital financial infrastructure that can enable the enhancement of financial access for micro, small, and medium-sized enterprises, poor households, and vulnerable groups, such as women.

Capital Markets and Contractual Savings

- **Developing Insurance Sector for Sustainable and Resilient Societies in Asia and the Pacific (\$1.95 million, ongoing until 2024)** is carrying out cross-sectoral and thematic regional studies on the widening protection gap. It is looking at how development of insurance and pension markets in ADB member countries can help close this gap with an enabling environment for structuring innovative risk financing solutions. These can help meet emerging challenges amid growing inequality, demographic change, and increasing climate change and disaster-risk exposures.
- **Supporting Capital Market Development and Reforms in Developing Asia (Phase 1) (\$0.75 million, ongoing until 2024)** will help identify the required key market infrastructure as well as the legal and regulatory frameworks to foster long-term development financing for governments and corporations.

Finance Sector Upstream

- **Strengthening Resilience and Stability of Banking and Nonbank Financial Systems in Asia (\$1.55 million, ongoing until 2025)** will strengthen the resilience and stability of banking systems and nonbank financial institutions in countries in the region by examining the causes of weak enabling policy environments and of financial market stakeholders' limited knowledge and expertise.

EXAMPLES OF KNOWLEDGE SOLUTIONS

Knowledge Events

- ASEAN Capital Market Forum (October 2022)
- Conference on Greening the Financial Systems and Seminar on Green Investment Banking Schemes (May 2023)
- Integrated One ADB Solutions for Sustainable Financing: Experience from East Asia (July 2023)
- CAREC Disaster Risk Engagement Workshop to promote Risk Transfer Solution to insurance and capital markets (July 2023)
- Country-focused workshops Disaster Risk Engagement Workshop to promote Risk Transfer Solution to insurance and capital markets (July 2023)
- Regional Workshop on the Role of Insurance in Financing Climate Risk (February 2024)
- AGM Special Seminar "Digital Bonds for ESG investing and the Future of Capital Markets in Asia and the Pacific" (May 2024)
- Asia-Pacific Futures Dialogue (June 2024)
- Flagship event: 5th Asia Finance Forum (September 2024)

Knowledge Products

- Brief on Public Lending Schemes for SMEs in Asia and the Pacific: Lessons from the Rep. of Korea and the United States (December 2021)
- Financing the Blue Economy: Investments in Sustainable Blue Small-Medium Enterprises and Projects in Asia and the Pacific (June 2022)
- ADB Strategy 2030 Finance Sector Directional Guide (November 2022)
- Finding Balance 2023: Benchmarking Performance and Building Climate Resilience in Pacific State-Owned Enterprises (March 2023)
- Managing Fintech Risks: Policy and Regulatory Implications (May 2023)
- Working Paper: Establishing a Financial Services Ombudsman in Mongolia: Experiences and Lessons from Armenia, Australia, and Singapore (June 2023)
- Recent Central Bank Digital Currency Developments in Asia and Their Implications (August 2023)

Knowledge Cooperation

- Engagement with Glasgow Financial Alliance for Net Zero (ongoing since June 2022)
- Membership to International Organization of Securities Commissions, International Association of Insurance Supervisors, and Islamic Financial Services Board (ongoing)
- MOU with Japan Exchange Group Inc. for the development of financial and capital markets (ongoing since May 2023)