

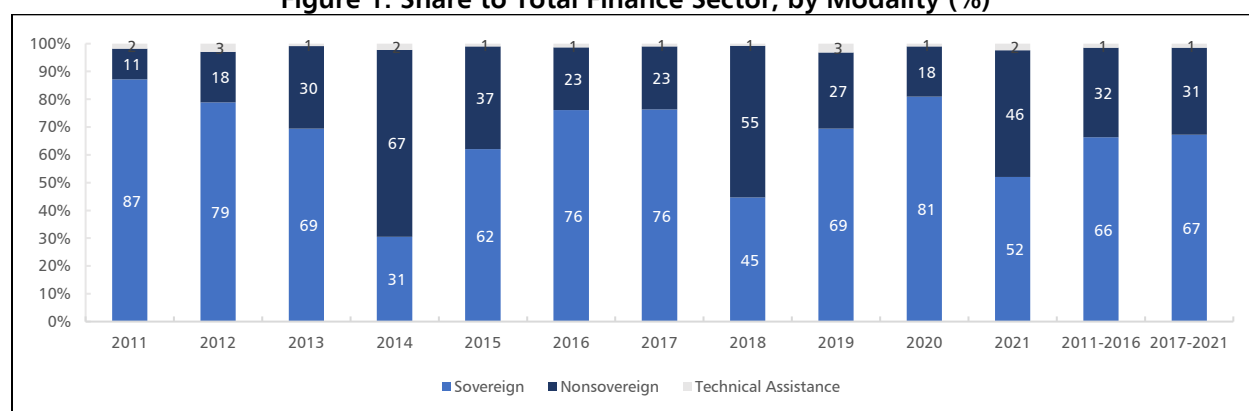
LINKED DOCUMENT C: ADB FINANCE SECTOR OPERATIONS, 2011–2021

A. Overview

1. Approved Portfolio during 2011–2021

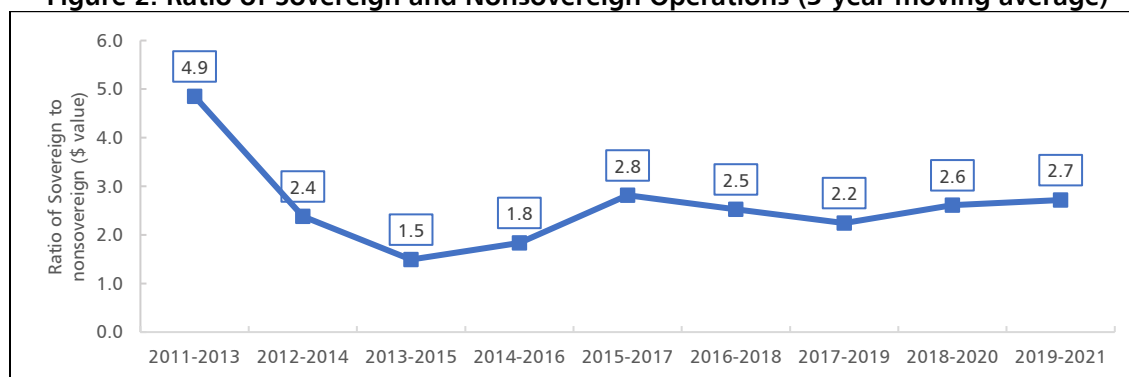
1. ADB increased the number and amount of its finance sector projects during the evaluation period, and yet support to the finance sector comprised only about 12% of ADB operations, making it just the fourth largest portfolio by dollar volume during 2011–2021.¹ This includes non-finance sector investments and projects implemented through development financial institutions (DFIs) for sovereign and financial intermediaries for nonsovereign.² Excluding trade finance, the total committed volume of support to the finance sector was \$20.7 billion, of which 66.8% were sovereign loans and grants, 31.7% were nonsovereign operations, and 1.5% were technical assistance (TA) projects. Over the years, the share of sovereign operations to the total finance sector were more than 50%, except in 2014 and 2018 (Figure 1).³ Nonetheless, the ratio of sovereign to nonsovereign operations stagnated at less than 3 beginning 2015–2017 (Figure 2).

Figure 1: Share to Total Finance Sector, by Modality (%)



Source: Independent Evaluation Department.

Figure 2: Ratio of Sovereign and Nonsovereign Operations (3-year moving average)



Source: Independent Evaluation Department.

¹ The largest portfolio is the transport sector with a total amount of \$45.9 billion and 504 sovereign, nonsovereign, and technical assistance (TA) projects.

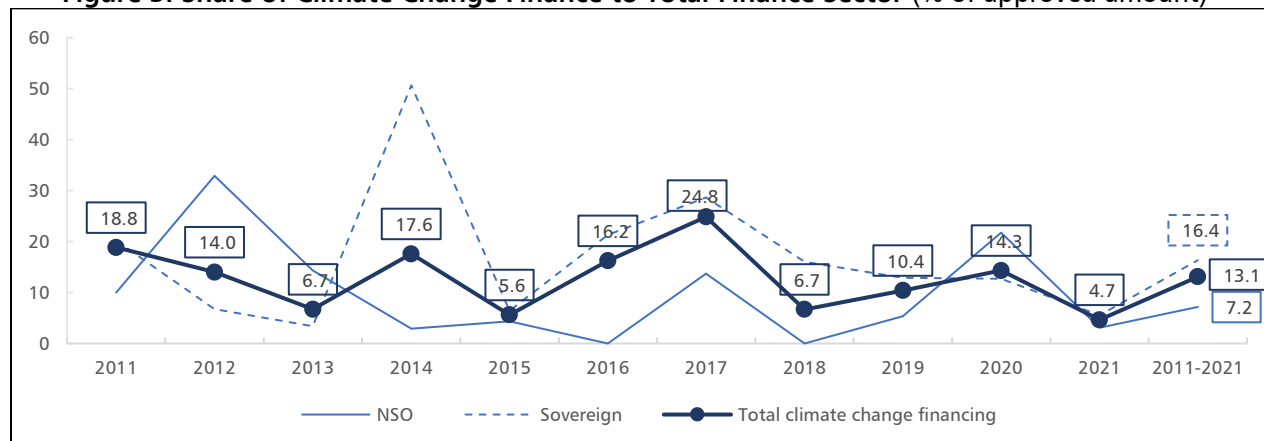
² This evaluation excludes support to trade finance. See [Sector-wide Evaluation: ADB's Finance Sector Operations, 2011–2020](#).

³ The Midterm Review of Strategy 2020 in 2014 highlighted ADB's plan to expand its engagement with the private sector. In the same year, ADB established the Office of Public-Private Partnership. In 2014, there were 11 nonsovereign (NSO) investments approved, of which, seven were supporting the inclusive finance objective. In 2018, a huge NSO investment in India's railway sector was approved, with a commitment amount of \$707.46 million.

2. **Both in terms of volume and project count, South Asia had the largest share at 32.5% and 21.7%, respectively.** In terms of volume, South Asia was followed by Southeast Asia (25.4%) and Central and West Asia (20.8%), while in terms of project count, it was followed by regional (21.1%) and Central and West Asia (20.4%). The large regional project count was because of the number of TA projects that were regional in nature. Excluding technical assistance (TA) projects, Southeast Asia had the largest share volume for sovereign loans and grants (31.9%), while South Asia had the largest share volume for nonsovereign (NSO) operations (47.3%).

3. **The share of climate change finance to total finance sector operations remained limited.** In 2011, a harmonized methodology to report climate action by multilateral development banks was adopted. During this period, 18.8% of ADB's approved operations under the finance sector were recorded as climate change finance. In 2017, ADB approved its Climate Change Operational Framework, 2017–2030. In the same year, ADB recorded the highest share of climate change finance at 24.8% of its total approved operations in the finance sector (**Figure 3**). This, however, was not sustained such that during 2011–2021, the total share of climate change finance to ADB's approved operations in the sector was only 13.6%. Both sovereign and nonsovereign's climate change finance were heavily concentrated on mitigation measures than on adaptation. Of the total sovereign climate financing, 56.7% was from the People's Republic of China (PRC). Total sovereign climate financing was composed of 3.8% adaptation and 13.3% mitigation. The nonsovereign climate financing was only 7.2% with nil adaptation activities. The total share of TA support for climate finance was only 2%.

Figure 3: Share of Climate Change Finance to Total Finance Sector (% of approved amount)



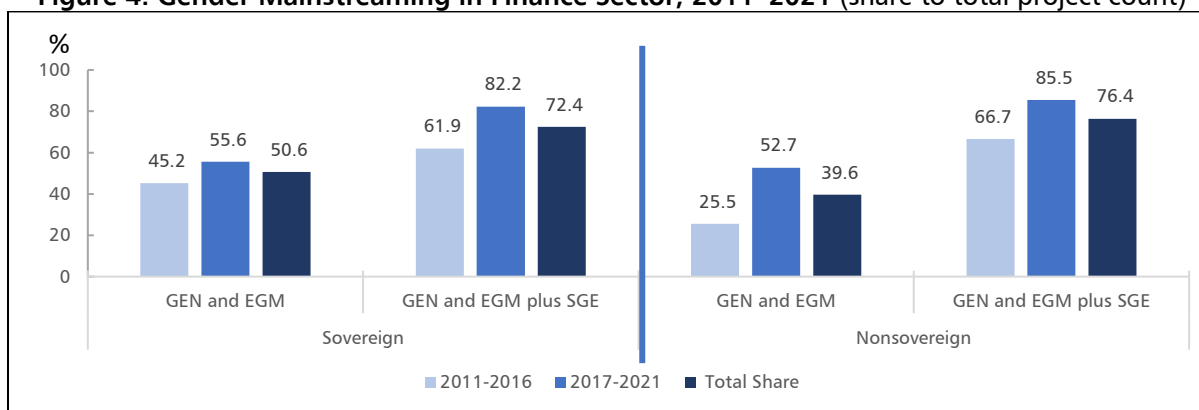
NSO = nonsovereign operations.

Note: Excludes cancelled and/or terminated projects approved during 2011–2021. Total climate change finance includes technical assistance projects.

Source: Asian Development Bank's Sustainable Development and Climate Change Department database on climate change finance.

4. **More than 70% of sovereign and nonsovereign operations were designed to promote gender inclusiveness.** ADB has four gender mainstreaming categories—gender equity as a theme, effective gender mainstreaming, some gender elements, and no gender elements. The first two categories are those projects wherein outcomes and outputs directly address gender equality and/or women's empowerment. These are being monitored and assessed through a gender action plan and the project's performance indicators indicated in the design and monitoring framework. The third category, some gender elements, are projects that are either likely to directly improve women's access to social and economic services, or unlikely but significant efforts were made during project preparation to identify impacts on women. Either way, some gender features are considered in the design under this category. Of the total finance sector projects approved during 2011–2021, 50.6% and 39.6% of sovereign and nonsovereign projects, respectively, addressed gender inclusiveness (projects categorized as gender equity or effective gender mainstreaming). When all gender targets and features were considered, these shares increased to more than 70% of the total approved finance sector projects in both operations (**Figure 4**).

Figure 4: Gender Mainstreaming in Finance Sector, 2011–2021 (share to total project count)



EGM = effective gender mainstreaming, GEN = gender equity, SGE = some gender elements.
 Source: ADB project documents and eOperations database.

2. Approved, and Implemented and Validated, and/or Evaluated Portfolio during 2011–2021

5. The evaluation portfolio includes sovereign investments and NSO that were implemented and validated and/or evaluated during the evaluation period. As a result, from a total of \$20.7 billion commitment amount during 2011–2021, the evaluation covers a total of \$25.3 billion or 529 projects. Of the total, \$17.4 billion were sovereign loans and grants (109 projects), \$7.6 billion were NSO (157 projects), and the remainder were TA projects. These revised amounts were the basis of the succeeding discussions.

6. By subregion, the top two FSOP objectives were most apparent in South Asia, East Asia, and Southeast Asia subregions. As shown in Table 1, with both objectives having the greatest share, more than 70% of investments in these two subregions were geared towards infrastructure finance and access to capital markets and inclusive finance. Inclusive finance was the priority of ADB in Central and West Asia, while infrastructure finance for South Asia and East Asia subregions. In Southeast Asia, support was generally scattered among the FSOP objectives with relative emphasis on inclusive finance and access to capital markets. In the Pacific Islands, with only Papua New Guinea as the country recipient of both sovereign and nonsovereign operations during the evaluation period, support to inclusive finance objective was the priority.

Table 1: Share to Total Commitment Amount, by Subregion and FSOP Objective, 2011–2021 (%)

Subregion	Financial Stability and Integrity	Foundation for Financial Sector Development	Regional Monetary and Financial Cooperation and Integration	Infrastructure Finance and Access to Capital Markets		Inclusive Finance
				IF	ACM	
Central and West Asia	2.6	3.8	0.03	5.6	15.3	72.6
East Asia	1.4	2.1	1.8	58.4	5.9	30.5
Pacific Islands	1.1	16.2	1.8	15.2	1.8	63.8
South Asia	3.6	1.1	-	32.2	10.9	52.2
Southeast Asia	11.7	7.8	4.9	4.7	32.4	38.5
Regional	0.8	0.5	1.5	0.7	20.4	76.2

ACM = access to capital markets, FSOP = financial sector operational plan, IF = infrastructure finance.

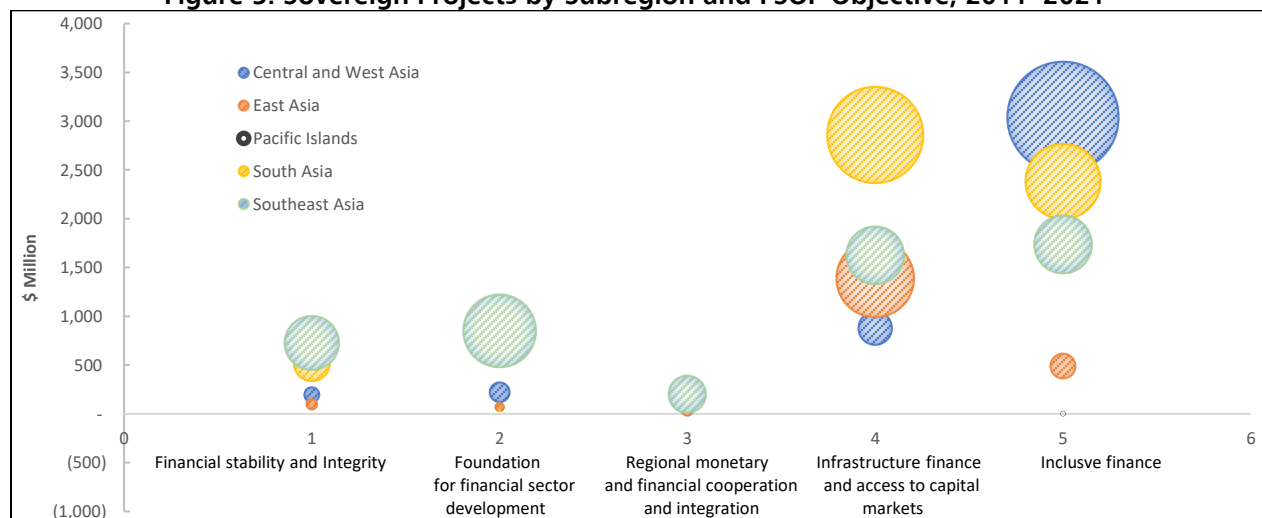
Note: Tagging is based on the project’s outcome and output targets. For projects with multiple FSOP objective tagging, their total commitment amount is divided equally among the FSOP objectives. Total percentages may not add up due to the multiple tagging

by project and rounding off. Regional projects were either nonsovereign operations or technical assistance (TA) projects. Regional projects under the regional monetary and financial cooperation and integration objective were all TA projects.
Source: Independent Evaluation Department.

B. Sovereign

7. The following discussion includes sovereign projects that were implemented and completed during 2011–2021. As earlier noted, multiple FSOP objective tagging was applied to capture all the project outcome and/or output targets that support any of the five FSOP objectives. Figure 5 presents the overall picture of ADB finance sector sovereign operations by subregion.

Figure 5: Sovereign Projects by Subregion and FSOP Objective, 2011–2021



FSOP = financial sector operational plan.

Note: Tagging is based on the project's outcome and output targets. Bubble size is relative to the dollar volume size within the subregion and across the subregions by FSOP objectives.

Source: Independent Evaluation Department.

8. **In Central and West Asia, sovereign investments were mostly supporting the inclusive finance objective.** In Uzbekistan, all the 10 sovereign projects reviewed had inclusive finance targets. Of these, five were implemented through DFIs and/or credit lines for small and medium-sized enterprises (SMEs), particularly in the agriculture sector. Another DFI project was also approved to support housing finance. Three were designed as policy-based lending (PBL) and results-based lending (RBL) programs—one PBL geared towards improving the enabling environment for SMEs, while the other PBL and the RBL aimed to support the mortgage market. One PBL, which had a primary objective of strengthening the market surveillance system to ensure market integrity, had specific gender targets and policies to be in place that can also be considered as interventions supporting inclusive finance.⁴

⁴ ADB. 2021. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach, Policy-Based Loan for Subprogram 1, and Technical Assistance Grant to the Republic of Uzbekistan for the Financial Markets Development Program*. Manila.

9. **In East Asia, support to infrastructure finance was the priority.** This was demonstrated in the PRC. Of the 14 sovereign projects in the PRC, nine had infrastructure finance and access to capital markets targets, all implemented through DFIs. One of these projects intended to scale up and catalyze domestic financing for sustainable air quality improvement and greenhouse gas emission reduction by issuing clean air bonds.⁵ The remaining eight were to finance the PRC's infrastructure projects.

10. **In South Asia, support among the top two FSOP objectives were mixed.** Of the nine India sovereign projects reviewed, seven had infrastructure financing targets, all implemented through DFIs. Four of which also had objectives to strengthen India Infrastructure Finance Company Limited (IIFCL). Support included improving its financial policies, anti-money laundering policy and tools, and adopt an integrated risk management system.⁶ In Bangladesh, ADB support was mostly focused on addressing inclusive finance. Out of the 14 sovereign projects, nine had inclusive finance targets. Five of these nine had the primary objective of either supporting MSMEs or migrant workers. One project had a primary objective of increasing crop resilience through weather index-based crop insurance.⁷ The two projects with inclusive finance targets on gender-responsive infrastructure and an increase of microfinance accounts, had the primary objective of providing long-term debt financing for infrastructure projects.⁸ Similarly, one project with infrastructure finance and access to the capital market as its primary objective had gender targets, which can also be considered as an intervention supporting inclusive finance.⁹ ADB support to infrastructure finance and access to capital market objectives in Bangladesh was mostly designed to provide basic foundations for capital market development, in addition to ADB investments dedicated to infrastructure finance.¹⁰

11. **In Southeast Asia, support was generally provided in all the FSOP objectives, although this subregion had relative emphasis on inclusive finance and access to capital markets.** The Philippine country case study somewhat mirrored the subregion's portfolio, such that of the seven sovereign projects implemented during 2011–2021, one had the foundation for financial sector development targets; two had financial stability and integrity and inclusive finance targets; five had infrastructure finance and access to capital market targets; and one had regional monetary, cooperation and integration targets. The four program loans were approved to provide support for capital markets development.¹¹ One of these programs aimed to support the Philippines' participation in at least one

⁵ ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Air Quality Improvement in the Greater Beijing–Tianjin–Hebei Region Green Financing Scale up Program*. Manila.

⁶ ADB. 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to India for India Infrastructure Project Financing Facility (Project 1 and 2)*. Manila; ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to India for Second India Infrastructure Project Financing Facility*. Manila; ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranches Financing Facility to India for Accelerating Infrastructure Investment Facility*. Manila; and ADB. 2018. *Periodic Financing Request Report for the Accelerating Infrastructure Investment Facility in India (Tranche 3)*. Manila.

⁷ ADB. 2013. *Report and Recommendation of the President to the Board and Directors: Proposed Grant Assistance to Bangladesh for Pilot Project on Weather Index-Based Crop Insurance*. Manila.

⁸ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loans to Bangladesh for Second Public-Private Infrastructure Development Facility*. Manila; and ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Technical Assistance Grant to Bangladesh for Strengthening Bangladesh Infrastructure Finance Fund Limited*. Project. Manila.

⁹ ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Technical Assistance Loan to Bangladesh for Improvement of Capital Market and Insurance Governance Project*. Manila (Loan 2232).

¹⁰ Two of the three projects with capital market development component were (i) Loan 2232; and (ii) ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loans and Administration of Technical Assistance Grant to Bangladesh for Third Capital Market Development Program*. Manila.

¹¹ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Philippines for Encouraging Investment through Capital Market Reform Program*. Manila (Loan 3334) and ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 2 to the Philippines for Encouraging Investment through Capital Market Reform Program*. Manila (Loan 3595); ADB. 2006. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster, Loan, and Technical Assistance Grant to the Philippines for Financial Market Regulation and Intermediation Program*. Manila. (Loan 2278) and ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Program Cluster, Loan, and Technical Assistance Grant to the Philippines for Financial Market Regulation*

ASEAN Capital Markets Forum cross-border initiative.¹² Also, one of these programs, which was approved before 2011 aimed to enhance the finance sector stability and liquidity by strengthening the finance sector regulatory oversight, among others.¹³ A sole DFI loan was approved in 2009 to mobilize additional off-budget credit for pro-poor investment through a government financial intermediary and leveraging private participation in upgrading LGU health services.¹⁴ With a primary objective of supporting inclusive finance, two program loans were approved to improve the institutional and policy environment, thereby strengthening financial inclusion.¹⁵

12. **During the evaluation period, there was only one sovereign project approved in the Pacific Islands, which was in Papua New Guinea.** The amount of \$2.85 million approved in 2015 was an additional funding to the Microfinance Expansion Project approved in 2010, which aimed to provide sustainable microfinance services to viable enterprises by strengthening the institutional capacity of existing and new microfinance institutions.¹⁶ This in turn aimed to provide savings facilities to the population.

13. **Support to infrastructure finance and access to capital markets through intermediary lending increased over time.** Prior to 2017, the proportion of sovereign investments that primarily supported infrastructure finance and access to capital markets designed as policy-based loans and/or grants was higher than those designed as DFI (**Figure 6**). This program support was mostly concentrated in Southeast Asia and South Asia subregions (**Figure 7**). Under inclusive finance, during 2017–2021, five program loans were approved that aimed to support digital finance and other distribution mechanisms to expand access to financial services.¹⁷ The sole RBL approved during the evaluation period was support to housing finance in Uzbekistan.¹⁸

and Intermediation Program, Subprogram 2. Manila. (Loan 2715); and ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Philippines for Support to Capital Market-Generated Infrastructure Financing Program*. Manila.

¹² Loans 3334 and 3595.

¹³ Loan 2278. Its subprogram 2 had a primary objective of financial stability and integrity (Loan 2715).

¹⁴ ADB. 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to the Philippines for Credit for Better Health Care Project*. Manila.

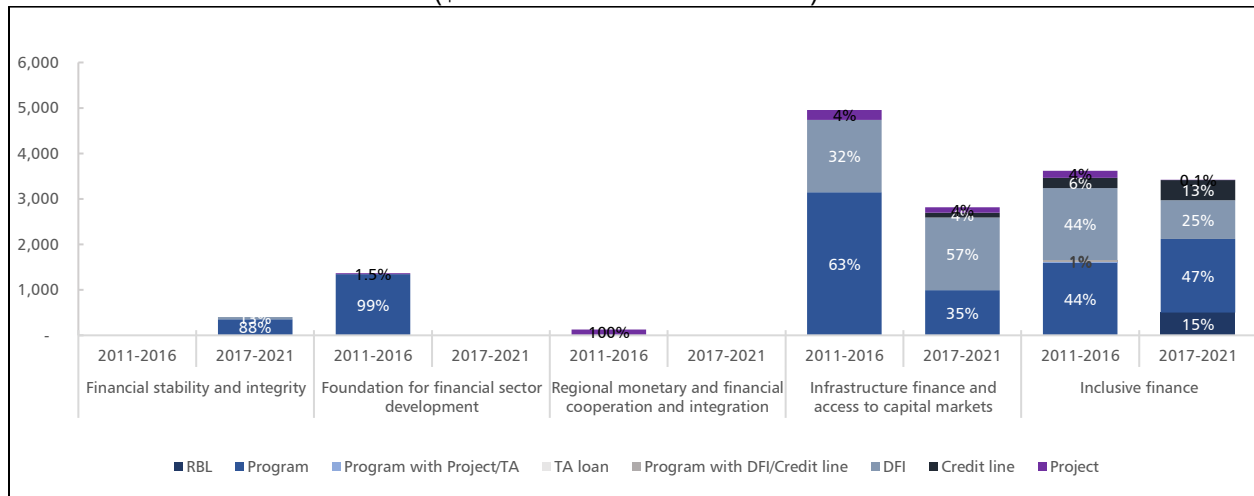
¹⁵ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 1 to the Philippines for Inclusive Finance Development Program*. Manila (Loan 3707); and ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 2 to the Philippines for Inclusive Finance Development Program*. Manila. (Loan 3959)

¹⁶ ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Administration of Grant to Papua New Guinea for Microfinance Expansion Project*. Manila; and ADB. 2015. *Additional Financing: Microfinance Expansion Project in Papua New Guinea*. Manila. This project was to further support the Microfinance and Employment Project approved in 2000.

¹⁷ ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 1 to Indonesia for Promoting Innovative Financial Inclusion Program*. Manila (Loan 4038); ADB. 2021. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 3 to Bhutan for Financial Market Development Program*. Manila (Loan 4130); and ADB. 2021. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 3 to Cambodia for Inclusive Finance Sector Development Program*. Manila (Loan 4128). This includes targets to increase the population holding account at a bank or another type of financial institutions. See ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 1 to the Philippines for Inclusive Finance Development Program*. Manila (Loan 3707); and ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 2 to the Philippines for Inclusive Finance Development Program*. Manila. (Loan 3959).

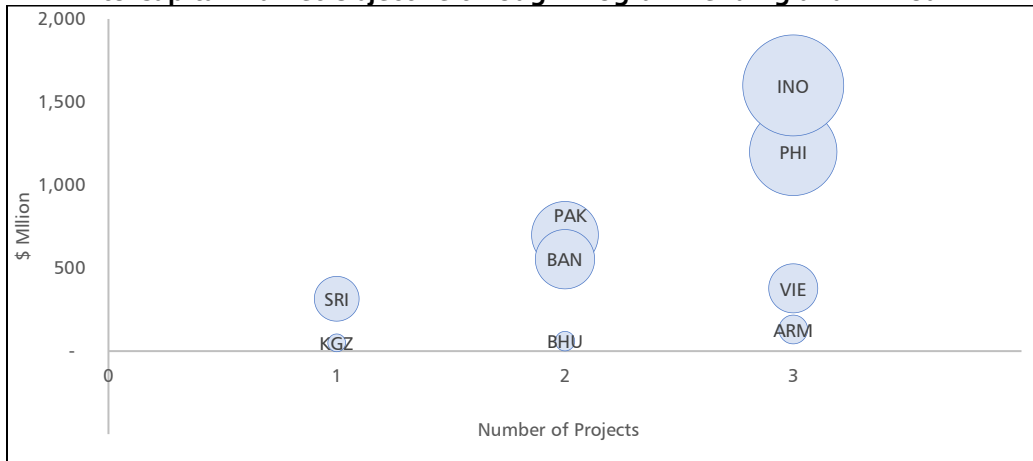
¹⁸ ADB. 2017. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan and Technical Assistance Grant to Uzbekistan for Affordable Rural Housing Program*. Manila.

Figure 6: Sovereign Operations Supporting the Five FSOP Objectives, by Modality
(\$ million commitment amount)*



* = figures inside the chart are share to total sovereign by period and FSOP objective, DFI = development financial institutions, FSOP = financial sector operational plan, RBL = results-based lending, TA = technical assistance.
Notes: Project objectives at appraisal were further assessed to determine their primary objective/s. Years refer to approval year. Includes finance sector projects approved before 2011 but were implemented and were validated or evaluated by IED during 2011–2021. For projects with multiple tagging, their commitment amounts were counted multiple times.
Source: Independent Evaluation Department.

Figure 7: Sovereign Operations Supporting the Infrastructure Finance and Access to Capital Market Objective through Program Lending and TA Loan



ARM = Armenia, BAN = Bangladesh, BHU = Bhutan, INO = Indonesia, KGZ = Kyrgyz Republic, PAK = Pakistan, PHI = Philippines, SRI = Sri Lanka, TA = technical assistance, VIE = Viet Nam.
Note: Project objectives at appraisal were further assessed to determine their primary objective/s. Includes finance sector projects approved before 2011 but were implemented and were validated or evaluated by IED during 2011–2021.
Source: Independent Evaluation Department.

14. **Support to digital finance remained to be low, although it picked up in recent years, at the height of the coronavirus disease (COVID-19) pandemic.** Support to digital finance includes, among other things, support to improve or strengthen the regulatory framework in this area, or digitalization-related interventions directly benefiting the general population or micro- and small businesses. In terms of volume, of the total sovereign projects with inclusive finance targets approved during 2017–2021, 18.2% of which either aimed to implement reforms in digital finance to support innovation to increase connectivity and inclusion or engage more MSMEs in mobile-based enterprise finance application and other digital finance innovation supporting MSMEs. Although still relatively small compared to other

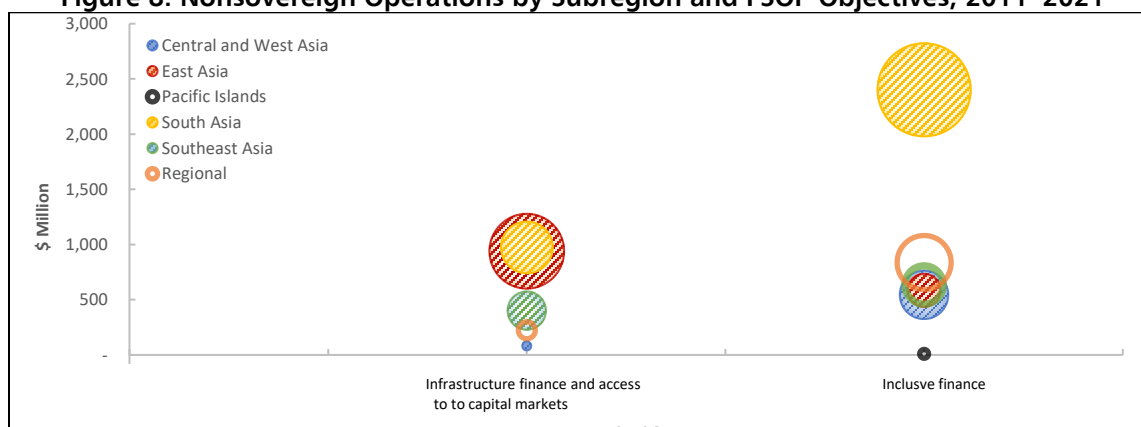
areas of inclusive finance, this doubled compared to pre-2017. In terms of project count, of the total sovereign projects with inclusive finance targets, eight aimed to support digital finance during 2017–2021 (20.5%), an increase from three (8.1%) during the previous periods. Of these eight, four program loans and one credit line were approved at the height of the COVID-19 pandemic (2020–2021).

C. Nonsovereign

15. The following discussion includes NSO operations that were implemented and completed during 2011–2021. As with sovereign projects, FSOP objective tagging was applied to cover all project outcome and/or output targets that support any of the five FSOP objectives.

16. Figure 8 presents the overall picture of ADB finance sector nonsovereign operations by subregion.

Figure 8: Nonsovereign Operations by Subregion and FSOP Objectives, 2011–2021



FSOP = financial sector operational plan.

Note: Tagging is based on the project's outcome and output targets. Bubble size is relative to the dollar volume size within the subregion and across subregion by FSOP objectives.

Source: Independent Evaluation Department.

17. **NSO operations in Central and West Asia remained to be heavily focused on addressing inclusive finance.** [Confidential information deleted.]

18. **In East Asia, the focus of NSO operations was on infrastructure finance and access to capital markets, with support to inclusive finance.** Of the 22 NSO projects in the PRC, nine had the primary objective of financing the country's infrastructure needs. This comprised more than 60% of its total loan and equity volume investments. Of these nine, four also had gender inclusiveness objective. Seven NSO projects had the primary objective of supporting MSMEs. About 40% of NSO projects in the PRC for supporting infrastructure financing also had climate change targets, such as greenhouse gas emission reduction.

19. **In South Asia, a majority of ADB's NSO operations were focused on addressing inclusive finance and infrastructure finance and access to capital markets.** Of the 32 NSO projects in India, more than 70% aimed to provide additional funds for MSMEs and housing finance, both in terms of volume and project count. The remaining were mostly NSO investments for India's infrastructure needs. In Bangladesh, the two NSO projects were both loans to private banks which aimed to help expand its lending to textile and garment factories, with focus on improving the working conditions of their workers, particularly the women.

20. **Similarly for Southeast Asia, NSO operations focused on the two priority FSOP objectives of ADB NSO operations.** In the Philippines, four out of the total seven NSO projects had inclusive finance targets to support MSME and housing finance. In terms of volume, close to 80% of ADB’s NSO investments in the Philippines aimed to support the country’s infrastructure needs through capital market activities. This comprised two equity investments and one loan and guarantee. The loan and equity investments in Indonesia funded infrastructure projects, while one equity fund in Thailand supported access to the capital market objective. The remaining investments in Southeast Asia focused on supporting inclusive finance through MSME and leasing.

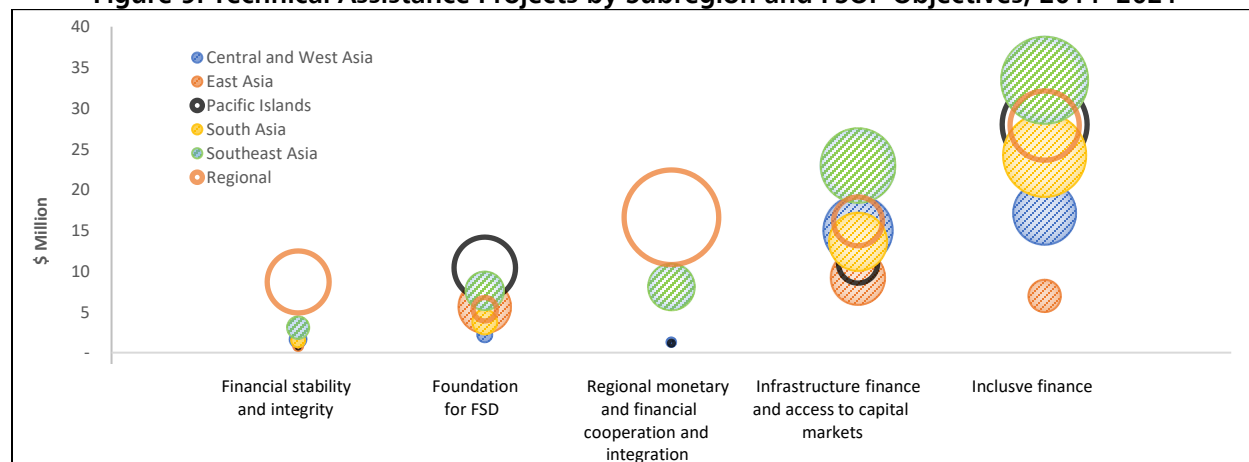
21. **Papua New Guinea was the only Pacific Island country that received NSO support during the evaluation period.** Approved in 2019, the equity investment to a private bank aimed to broaden access to financial services for MSMEs and the retail banking segment through the uptake of financial services, including loans and deposit accounts, by individuals and SMEs in PNG.

22. **More than 60% of regional equity investment funds had the primary objective of promoting greater financial inclusion through investments in MSMEs.** Of these 21 regional NSO investments, one also had targets to have all the investee companies under the equity fund to improve its delivery of low-carbon or sustainability services in the infrastructure sector. Of the regional equity investments, nine projects funded capital markets and contractual savings for financing infrastructure. Two of these intended to invest in five Asia-based clean energy-focused funds. An investment in Credit Guarantee and Investment Facility was also approved to reduce currency and maturity mismatches of investment-rated corporations and the fragility of ASEAN+3 financial markets.

D. Technical Assistance

23. **Both in terms of volume and project count, TA projects supported the five FSOP objectives.** Figure 9 shows the spread of 263 TA projects approved during 2011–2021. The said figure considers all the FSOP objective-related targets, either at the outcome or output levels, defined at appraisal.

Figure 9: Technical Assistance Projects by Subregion and FSOP Objectives, 2011–2021



FSD = financial sector development, FSOP = financial sector operational plan.

Notes: Tagging is based on the project’s outcome and output targets. Bubble size is relative to the dollar volume size within the subregion and across subregion by FSOP objectives.

Source: Independent Evaluation Department.

24. **While majority of the TA projects in Central and West Asia aimed to support the inclusive finance objective, a significant amount of TA projects also supported infrastructure finance and access to capital market objective.** Of the 11 TA projects in Uzbekistan, four aimed to develop the mortgage market sector, two aimed to help reform the MSMEs sector, including developing mobile-based loan transactions for MSMEs and financial literacy, and one aimed to support microfinance

through building capacities of participating commercial banks to improve its financial services to rural small businesses.¹⁹ This comprised about 70% of the total TA funds provided to Uzbekistan. In 2012, a TA project was approved to help strengthen the policy and regulatory environment for insurance.²⁰ Nine years after, another TA project was approved to develop a coherent pension policy, help draft regulations and rules for the insurance industry, and support the enactment of legislative reforms.²¹ A dedicated TA project was approved in 2020 to help initiate the operationalization process of the infrastructure finance intermediary vehicle.²² The said vehicle aimed to attract additional investments in Uzbekistan's infrastructure sector. These three TA projects supporting infrastructure financing and access to capital markets comprised more than 20% of TA funds provided in Uzbekistan.

25. In East Asia, TA projects mainly supported the infrastructure finance and access to capital market objective. In the PRC, more than 50% of the 24 TA projects approved during 2011–2021 had infrastructure finance and access to capital market targets. Two of which also had inclusive finance and foundation for financial sector development objectives.²³ There were six TA projects that supported green or climate financing, two on improving pension system, and the rest on promoting private investments through policy formulation on innovations and local government bond market.²⁴ Other support to capital market development involved the development of legal framework for securities and future markets, as well as supervisory framework to cope with more locally diversified financial markets.²⁵ TA support on inclusive finance focused on rural and micro financing, and regulatory framework for financial consumer protection.²⁶ Other TA projects focused on reforming the finance sector in rural areas and improving credit statistics systems for small financial institutions. Thirteen TA projects in the PRC aimed to support infrastructure financing and access to capital markets. Six of which focused on green or climate financing, two on improving pension system, and the rest on promoting private investments through policy formulation on innovations and local government bond market.

26. TA support in South Asia supported both inclusive finance and infrastructure finance and access to capital market objectives. For countries such as India and Bangladesh, most of its TA projects aimed to support capital market development, while TA projects in other South Asian countries were dedicated to support MSMEs. For example, two regional projects implemented in South Asia aimed to strengthen policies and procedures to improve corporate governance of financial institutions that cater to MSMEs, housing, infrastructure, education and insurance markets; and improve knowledge on remittance-linked investments.²⁷ Finance sector reforms in Bhutan and Sri Lanka also aimed to promote

¹⁹ One of the TA projects supporting MSMEs also had an objective of strengthening the operation and governance of the guarantee scheme under the State Fund for Support of Entrepreneurship, as well as strengthening the institutional structure and operations of the Entrepreneurship Development Agency. See ADB. 2021. *Technical Assistance for Support to Small and Medium-Sized Enterprises Development Program in Uzbekistan*. Manila.

²⁰ ADB. 2012. *Technical Assistance for Insurance Sector Development in Uzbekistan*. Manila.

²¹ ADB. 2021. *Technical Assistance for Supporting the Financial Markets Development Program in Uzbekistan*. Manila.

²² ADB. 2020. *Technical Assistance for Business Plan Development for the Infrastructure Finance Intermediary Vehicle in Uzbekistan*. Manila.

²³ Technical Assistance for Supporting Sustainable Finance and Regional Cooperation in the PRC (TA 6687), both having inclusive finance (digital finance) and infrastructure financing (green and blue finance products) objectives, also targeted to conduct a comparative analysis on the international best practices for developing insurance solvency regulatory equivalence assessment rules. Technical Assistance for Innovative Small and Medium-Sized Enterprise Bond Financing and Investor Protection Mechanism in the PRC (TA 8461) aimed to provide policy and advisory support on SME bonding finance.

²⁴ ADB. 2012. *Technical Assistance for Promoting Private Investment for Social and Economic Development in Shaanxi Province in the PRC*. Manila; ADB. 2015. *Technical Assistance for Promotion of Environmentally Sustainable Infrastructure Investment in Asia and the Pacific (PRC)*. Manila; and ADB. 2018. *Technical Assistance for Reform and Diversification of the Local Government Bond Market in the PRC*. Manila.

²⁵ ADB. 2014. *Technical Assistance for Improving the Legal Framework for Securities and Future Markets in the PRC*. Manila; and ADB. 2014. *Technical Assistance for Study on Local Financial Market Development and Supervisory Framework in the PRC*. Manila.

²⁶ ADB. 2011. *Technical Assistance for Developing a Legal System for the Credit Market in the PRC*. Manila; ADB. 2013. *Technical Assistance for Promotion of a Legal Framework for Financial Consumer Protection*. Manila; *Technical Assistance for Establishing a Market Conduct Supervision Mechanism for Financial Consumer Protection in the PRC*. Manila.

²⁷ ADB. 2014. *Technical Assistance for Promoting Remittance for Development Finance in South Asia*. Manila; and ADB. 2014. *Technical Assistance for Promoting Capacity Building in Financial Institutions in Emerging Countries in South Asia*. Manila.

access to finance for entrepreneurs, financial literacy, as well as gender inclusiveness.²⁸ The bulk of TA support in India was supporting infrastructure finance and access to capital market objective. Of the 13 TA projects, seven (about 50% in terms of volume) were primarily intended to capacitate the government and other state-owned enterprises in the infrastructure sector to process future infrastructure lending projects, assess infrastructure financing and securitization markets in India, and support the country's bond guarantee funds. Similarly in Bangladesh, of the 10 TA projects, five (40% in terms of volume) were primarily intended to strengthen the capacity of Infrastructure Development Company Limited, Securities and Exchange Commission of Bangladesh, equip the government with detailed design on risk finance solutions, and provision of intermediary loan to construct a more energy-efficient and environmentally superior brick kilns.

27. **Among the subregions, TA operations in Southeast Asia had relative emphasis on access to capital markets and regional monetary and financial cooperation and integration objectives.** There were two regional TA projects approved that aimed to first, capacitate Southeast Asian governments to use innovative finance structures in developing green and bankable infrastructure projects, and second, to increase investments from both public and private sectors into ASEAN physical connectivity by operationalizing a regional project structuring facility for infrastructure financing and establishing a pipeline.²⁹ These two amounted to \$17.3 million or 23% of the total TA funds in the subregion. ADB TA support in Southeast Asia was generally spread across the five FSOP objectives. For example, in the Philippines, of the 11 TA projects, four aimed to enhance the capacity of finance-related government agencies, such as the securities and exchange commission, central bank, treasury and finance departments, to effectively supervise and regulate the financial systems. Four had infrastructure finance and access to capital market targets, four had inclusive finance targets such as the increase in out-of-school youth employment, microinsurance expansion, and financial literacy enhancement.³⁰

28. **Inclusive finance objective was also the focus in the Pacific Islands.** The huge share of support to foundation for financial sector development in the Pacific Islands was due to one regional TA project aimed to develop and implement an effective competition and consumer protection policies in the subregion.³¹ This amounted to \$29.30 million or about 60% of the total TA funds provided in the Pacific Islands. Excluding this regional TA project, ADB's focus on the subregion was to support inclusive finance. A regional TA project amounting to \$11 million was approved in 2014 to support the Pacific Business Investment Facility aimed to finance leverage from commercial sources to support SMEs in the Pacific Islands.³² Three more regional TAs were approved to support MSMEs and improve financial literacy in the Pacific Islands.³³ In Papua New Guinea, only one TA project was approved during the evaluation period. Approved in 2013, it aimed to provide policy and advisory support for anti-money laundering policies

²⁸ ADB. 2019. *Technical Assistance for Supporting the Financial Market Development Program in Bhutan*. Manila; ADB. 2020. *Technical Assistance for Strengthening the Financial Market Development Program in Bhutan*. Manila; ADB. 2020. *Technical Assistance for Capacity Building for Rural Finance Development in Bhutan*. Manila; ADB. 2021. *Technical Assistance for Supporting Financial Sector Reforms in Bhutan*. Manila; ADB. 2016. *Technical Assistance for Developing the Capital Market in Sri Lanka*. Manila; and ADB. 2016. *Technical Assistance for Mobilizing Finance for Sri Lanka*. Manila.

²⁹ ADB. 2012. *Technical Assistance for Supporting Regional Project Development for Association of Southeast Asian Nations Connectivity*. Manila; and ADB. 2018. *Technical Assistance for Green and Innovative Finance Initiative for Scaling Up Southeast Asian Infrastructure*. Manila.

³⁰ ADB. 2012. *Technical Assistance for Capacity Building for Microinsurance in the Philippines*. Manila; ADB. 2015. *Technical Assistance for Support for the Nationwide Rollout of JobStart Philippines*. Manila; and ADB. 2016. *Technical Assistance for Financial Inclusion Framework Strengthening*. Manila. TA 6667-PHI: Upgrading and Enhancing the Corporate Registration System has gender targets.

³¹ ADB. 2019. *Technical Assistance for Pacific Private Sector Development Initiative, Phase IV*. Manila (TA 9848).

³² ADB. 2014. *Technical Assistance for Establishment of the Pacific Business Investment Trust Fund and Technical Assistance for the Pacific Business Investment Facility*. Manila.

³³ ADB. 2017. *Technical Assistance for Supporting Finance Sector and Private Sector Development in the Pacific*. Manila; ADB. 2020. *Technical Assistance for Supporting Recovery by Micro, Small, and Medium-Sized Enterprises in the Pacific from the Effects of the COVID-19 Pandemic*. Manila; and ADB. 2021. *Technical Assistance for Gender Mainstreaming and Gender Initiatives in Nonsovereign Operations- Technical Assistance for WAVES Program s Private Sector Development in Pacific Countries (Subproject 2)*. Manila.

and combating the financing of terrorism in the country.³⁴ Similarly, 2 years earlier, a regional TA was approved to help selected Pacific DMCs reduce vulnerability to transnational financial crime through AML/CFT risks through enhanced tools used by the central bank, the financial intelligence unit, and related agencies.³⁵

29. **About 50% of the regional TA projects supporting the regional monetary and financial cooperation and integration objective had an emphasis on increasing infrastructure financing in the region through capital market development.** These regional TA projects aimed to provide research and development support for the regional bond market, green bonds issuance for infrastructure, and strengthen policy cooperation to develop capital markets, specifically the local currency bond markets.³⁶ In addition, to assist ADB to deliver the finance sector priorities identified at the FSOP midterm review, in 2017, ADB approved a regional capacity development TA project to help ADB operations departments expand investment opportunities in emerging finance areas, such as digital, green, disaster risk, Islamic, municipal, and agricultural finance; and find new solutions to support financial sector development, inclusive finance, and infrastructure finance (**Box 1**).³⁷

³⁴ ADB. 2016. *Technical Assistance for Supporting Anti-Money Laundering and Combatting the Financing of Terrorism in Papua New Guinea*. Manila.

³⁵ ADB. 2014. *Technical Assistance for Targeted Pacific Financial Sector Strengthening—Supporting National Risk Assessments*. Manila.

³⁶ ADB. 2011. *Technical Assistance for Broadening the Scope of Asian Bond Market Initiative under ASEAN+3*. Manila; ADB. 2011. *Technical Assistance for Asian Bonds Online Website, Phase IV*. Manila; ADB. 2012. *Technical Assistance for Harmonization of Bond Standards and Market Practices in ASEAN+3: Support for ASEAN+3 Bond Market Forum, Phase 2*. Manila; ADB. 2013. *Technical Assistance for Promoting Asian Bond Markets through the AsianBondsOnline Website*. Manila; ADB. 2013. *Technical Assistance for Developing Local Currency Bonds for Infrastructure Finance in ASEAN+3*. Manila; ADB. 2014. *Technical Assistance for Support for ASEAN+3 Bond Market Forum: Regional Standardization of Bond Issuance Framework and Transaction Flows*. Manila; ADB. 2017. *Technical Assistance for Promoting Green Local Currency-Denominated Bonds for Infrastructure Development in ASEAN+3*. Manila; ADB. 2020. *Technical Assistance for Enhance AsianBondsOnline as the Primary Bond Information Platform in ASEAN+3*. Manila; and ADB. 2020. *Technical Assistance for Creating Ecosystems for Green Local Currency Bonds for Infrastructure Development in ASEAN+3*. Manila.

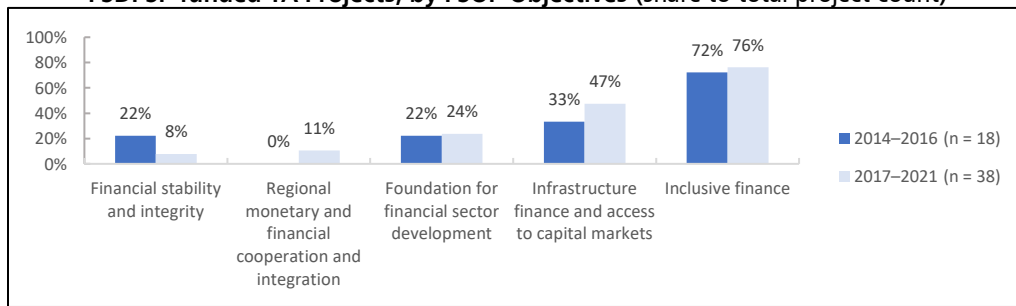
³⁷ ADB. 2017. *Technical Assistance for Strengthening Financial Sector Operations in Asia and the Pacific*. Manila. In 2017, the TA amounted to \$1.25 million. Supplementary TA projects were approved in 2018, 2019, and 2020, resulting to a cumulative TA amount of \$2.95 million.

Box 1: Supporting the Financial Sector Operational Plan Objectives through the Financial Sector Development Partnership Special Fund

In May 2013, ADB established the Financial Sector Development Partnership Special Fund to provide a financial mechanism for interested donors to contribute and support the expanding needs of the region in the finance sector. The Strategy 2020 identified financial sector development (FSD) as one of the core areas of ADB operation. To provide better support to FSD, in 2009, ADB established the Financial Sector Development Community of Practice (FSD CoP, which was reconstituted as the Finance Sector Thematic Group in 2015). Accordingly, ADB endorsed the Financial Sector Operational Plan (FSOP) in 2011, resulting to higher demands for knowledge support through technical assistance (TA) in the developing member countries’ (DMCs) finance sector. To indicate ADB’s strong commitment to FSD, the Financial Sector Development Partnership Special Fund (the Fund) was established.^a From 2014–2017, the Fund’s utilization rate averaged 59%, thereafter, it averaged to 90%. The Fund approved 56 TA projects amounting to \$22.3 million during the period 2014–2021.^b

The midterm review of FSOP further provided direction to the Fund. According to the Fund’s 2016 implementation guidelines, projects to prioritize are those that support FSOP areas of focus on: (i) FSD, (ii) inclusive finance, and (iii) infrastructure finance. The Fund also gave emphasis to knowledge and innovations in the areas of climate change measures integration to national policies, strategies and planning; implementing instruments for disaster risk finance and climate change; digital finance and Islamic finance, including Islamic finance mechanisms and applicability for infrastructure financing. Based on the TA projects supported by the Fund, there was a shift towards more support to infrastructure financing and inclusive finance (Figure).

FSDPSF-funded TA Projects, by FSOP Objectives (share to total project count)



FSDPSF = Financial Sector Development Partnership Special Fund, FSOP = financial sector operational plan, IED = Independent Evaluation Department, n = number of projects, TA = technical assistance.
Source: Independent Evaluation Department.

Despite the Fund’s emphasis on knowledge and innovation in the areas of climate change, disaster risk finance, digital finance and Islamic finance, support in these areas was few. These new areas were expected to be given emphasis by the Fund. In fact, in 2017, ADB approved a regional TA project to assist ADB operational departments to expand investment opportunities in these areas. However, over the last 4 years, support for climate change financing and adaptation measures was highly concentrated with the PRC, and knowledge support for Islamic and disaster risk financing did not pick up.

Support for digital finance started to pick up in the last 4 years but remained limited. This area was identified as one of the emphases of the Fund. However, the Fund’s support in this area can be seen as reactive to the pandemic, with the increase of TA approvals that support digital finance in 2020. Nonetheless, the process of approving these TAs was timely, such that they were made available at the opportune manner.

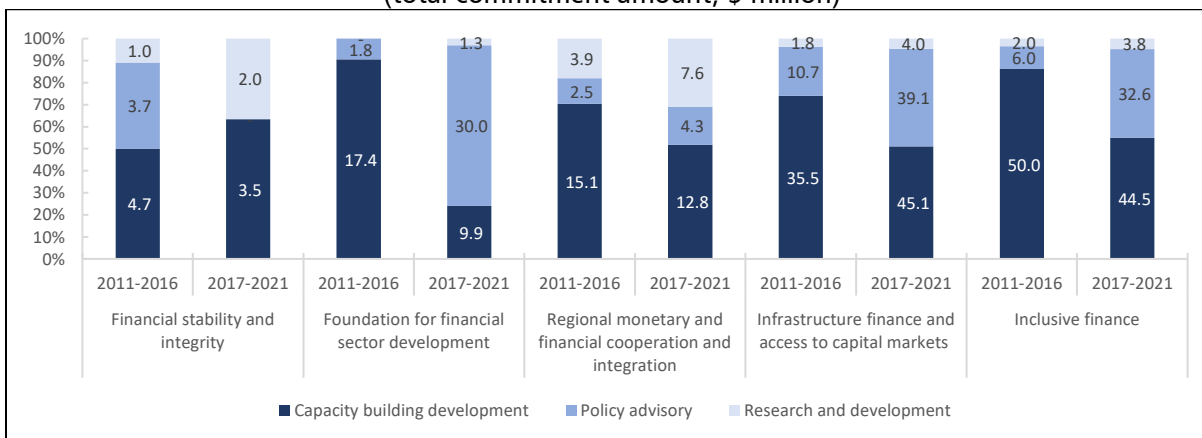
The Fund was intended to be a financial mechanism for various donors to contribute towards financing the expanding needs of the region in the finance sector, however, since its establishment in 2013, only ADB and the Government of Luxembourg are the contributors. Institutional arrangement of the Fund supports the efficient utilization of the Fund, such that its utilization rate is at 98%. However, it lacks a clear implementation arrangement to address the need to mobilize additional donors to contribute to the Fund.

^a ADB. 2012. *Establishment of the Financial Sector Development Partnership Special Fund*. Manila.

^b This includes supplementary TA projects, such that the TA can be approved prior 2014 but additional financing under the Fund were approved during 2014–2021. The 56 TA projects excluded two cancelled projects, both aimed to support capacity development of private banks. Sources: Asian Development Bank (ADB) and Government of Luxembourg. 2006. *Financial Agreement between the Government of Luxembourg and the Asian Development Bank: Establishing the Financial Sector Development Partnership Fund*. Manila: ADB; ADB (Independent Evaluation Department).

30. Across all the five FSOP objectives, TA support was mostly designed to provide institutional support through capacity-building development. The significant huge dollar value under foundation for financial sector development objective during 2017–2021 was due to a single policy and advisory TA project in the Pacific region.³⁸ Overall, policy advisory and research and development support were less than 50% (Figure 10). Similar with sovereign operations, support for digital finance increased in recent years, while huge support for MSMEs was sustained (Figure 11).

Figure 10: Technical Assistance Projects Supporting the Five FSOP Objectives, by Modality (total commitment amount, \$ million)

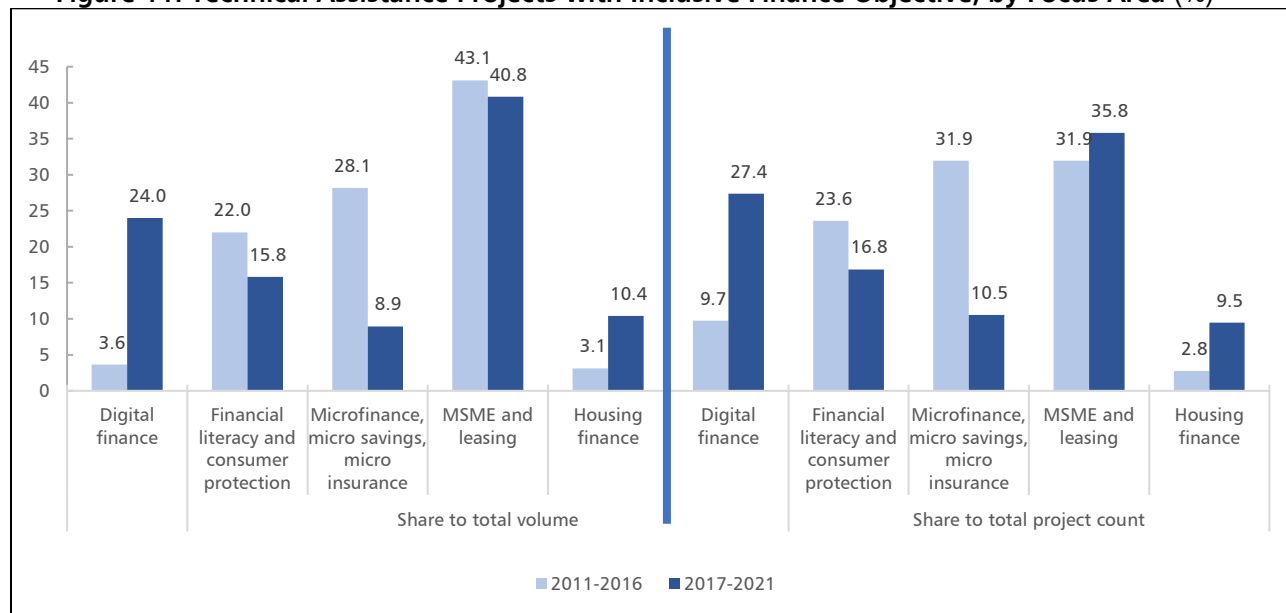


FSOP = financial sector operational plan.

Note: Project objectives at appraisal were further assessed to determine their primary objective/s.

Source: Independent Evaluation Department.

Figure 11: Technical Assistance Projects with Inclusive Finance Objective, by Focus Area (%)



Source: Independent Evaluation Department.

³⁸ TA 9848 (footnote 38).