



Technical Assistance Subproject Report

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Transaction Technical Assistance Cluster (C-TRTA)
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Capacity Development for the Supply Chain Finance Program (Phase 2) (Subproject 3)

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
PFI	–	partner financial institution
SCF	–	supply chain financing
SCFP	–	Supply Chain Finance Program
SME	–	small and medium-sized enterprises
TA	–	technical assistance
TFP	–	Trade Finance Program

NOTE

In this report, "\$" refers to United States dollars unless otherwise stated

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I. THE ONGOING PROJECT

1. Since its launch in 2012, ADB's Supply Chain Finance Program (SCFP) has supported 1,744 transactions valued at \$868 million. Of the 1,744 transactions, 1,394 involved small- and medium-sized enterprises (SMEs). SCFP has also generated \$434 million in co-financing as of 31 December 2019. The SCFP continues to expand with additional financing and a broader scope approved in 2018.¹ As the strategic direction of SCFP was widened from large global banks to include banks in developing member countries (DMCs), pipeline development is ongoing with DMC-based partner financial institutions (PFIs), and initial candidates have been identified through ADB's Trade Finance Program (TFP) partner bank relationships. Going forward, SCFP is also assessing the extension of debt financing directly to corporate and SME obligors without the involvement of a PFI and working with third-party supply chain finance platforms. These are expected to further widen SCFP's reach, both geographically to focus on more challenging markets, and with SMEs.

2. The COVID-19 pandemic that began in early 2020 continues to put a strain on global supply chains, causing multiple bottlenecks including in the supply chain of critical goods such as medicines, ventilators and personal protective equipment. These bottlenecks cause production and delivery delay, and impede critical measures to prevent the further spread of the virus and to provide necessary care to infected individuals. Trade and supply chain finance has never been more critical for economic growth, jobs, and to ensure medical equipment, food and other vital goods get to where they're needed. The SCFP is an excellent crisis response vehicle, with a global network of partner financial institutions through which support can be channeled quickly and efficiently, including to small- and medium-sized enterprises (SMEs), which are the entities most likely impacted by the pandemic. Through the SCFP, ADB is supporting companies manufacturing and distributing medicines and other items needed to combat the virus by ramping up production of these critical goods. This support, working in partnership with commercial banks, will provide companies in Asia and the Pacific with additional working capital to meet expansion and other requirements.

II. THE TECHNICAL ASSISTANCE SUBPROJECT

A. Overall Progress of the Technical Assistance Cluster

3. The technical assistance (TA) cluster was approved by the President, acting under authority delegated by the Board, in November 2018.² The TA cluster is aligned with ADB's strategic priorities set forth in Strategy 2030 that include addressing remaining poverty and reducing inequalities, accelerating progress in gender equality, strengthening governance and institutional capacity, and fostering regional cooperation and integration.³ ADB's approach to inclusive economic growth emphasizes inclusive finance by improving and expanding access to finance for SMEs. Inclusive finance is one of the three pillars of ADB's Financial Sector Operational Plan, which was reaffirmed in its 2017 review.⁴ The proposed capacity building and knowledge-sharing and collaboration activities under the TA cluster demonstrates ADB's role as a knowledge institution and knowledge provider.

¹ ADB. 2018. *Proposed Loans, Guarantees, and Risk Participation Products for Additional Financing Supply Chain Finance Program*. Manila.

² ADB. 2018. *Capacity Development for the Supply Chain Finance Program (Phase 2)*. Manila.

³ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient and Sustainable Asia and the Pacific*. Manila.

⁴ ADB. 2017. *Review of 2011 Financial Sector Operational Plan*. Manila.

4. Subprojects 1 and 2 of the TA cluster are ongoing. Consultants have been engaged to manage overall SCFP business and PFI relationships and undertake SCF capacity development activities with partner banks in DMCs.

B. Subproject Scope

5. Subproject 3 will provide the SCFP with funding to: i) conduct due diligence and monitoring assessments on DMC companies, DMC banks, and PFIs; ii) administer transactions; and iii) manage overall counterparty relationships. Subproject 3 will also include capacity building through advisory services as well as seminars, webinars and online trainings. Participants will be supply chain finance operations and credit risk personnel from DMC banks and PFIs, as well as representatives from target DMC companies and relevant government agencies.

C. Subproject Outputs and Activities

6. **Output 1: SCF availability expanded in DMCs.** Under Subproject 3, ADB will engage consultants who will assist in the implementation of the SCFP by conducting in-depth due diligence and risk analysis on DMC companies in which ADB would assume risk under the program, administering transactions, performing monitoring assessments on DMC companies, DMC banks and PFIs, and managing overall relationships with DMC banks and PFIs.

7. **Output 2: SCF knowledge deepened in DMCs through capacity development as well as seminars, webinars and online trainings.** Subproject 3 will fund related knowledge-sharing and partnership activities including capacity development training, seminars and regional trainings, online or otherwise, for DMC banks, SMEs and regulators to increase supply chain finance usage and broaden SME access to supply chain financing. These activities will contribute to the development of supply chain finance in countries where it is still at a nascent stage of development.

8. **Output 3: Gender initiatives implemented for SCFP.** SCFP will encourage female participants in all its seminars, trainings and capacity development activities.

9. Subproject 3 activities will include the following:

- (i) work with DMC companies (i.e. corporate and SME obligors) and PFIs to acquire financial data;
- (ii) conduct in-depth due diligence and risk analysis that will focus on credit and performance risk and established relationships specific to a supply chain of DMC companies in which ADB would assume risk under the program, and ensure that business activities of such DMC companies are not on ADB's prohibited investment activities list;
- (iii) assess the SCF operations capacity of selected banks and make recommendations for improvement;
- (iv) draft credit applications, risk ratings, and financial due diligence reports;
- (v) conduct integrity due diligence and reputational risk reviews, including monitoring and following up on recommendations for improvement;
- (vi) conduct signing of agreements with new PFIs;

- (vii) conduct capacity-building, knowledge-building, knowledge-sharing, and partnership-development activities (including training seminars for DMC banks, SMEs and regional training and/or networking events, online or otherwise);
- (viii) administer transactions and perform annual monitoring assessments on DMC companies and PFIs; and
- (ix) engage consultants or possibly work with established financial technology or SCF platforms to facilitate operations.

D. Subproject Cost and Financing

10. The TA is estimated to cost \$966,663 which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF) under (i) the special pool for the COVID-19 response with TASF-income transfer funds for \$200,000, and (iii) the special pool for the COVID-19 response with TASF-donor contribution funds for \$766,663. The key expenditure items are listed in Appendix 1.

E. Subproject Implementation Arrangements

11. ADB will administer the subproject. PSOD will select, supervise and evaluate consultants as well as resource persons that will be engaged for TFP seminars, webinars and online trainings.

Table 1: Subproject Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	October 2020 –October 2021		
Executing agency	Asian Development Bank		
Implementing agencies	Asian Development Bank		
Consultants	To be selected and engaged by ADB		
	Selection Method	Package Title	
	Quality and cost-based selection or individual selection as applicable	Individuals or Firm: supply chain finance due diligence expert(s)	
	Individual Selection	Individuals: supply chain finance relationship management expert(s) (international)	
	Quality and cost-based selection or individual selection as applicable	Individuals: supply chain finance capacity development expert(s) (international)	
	Individual Selection	Individuals: middle office assistant, portfolio analyst (national)	
	Resource Person Selection	Individuals: resource person for training/ workshop (international or national)	
Advance contracting	Not applicable		
Disbursement	The TA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time).		

ADB = Asian Development Bank, TA = technical assistance

Source: Asian Development Bank.

12. **Consulting services.** Due diligence experts may be engaged through individual contracts or a firm contract.⁵ Individual consultants will also be recruited to provide international and national consulting inputs for relationship management, capacity building and program implementation and administration. ADB will organize knowledge dissemination training and workshops in various DMCs to facilitate a common understanding of supply chain finance products and techniques, including financial technology, and to share best practices observed within the industry. Resource persons will be engaged for such seminars, webinars, online training and other capacity building initiatives. The consultants will be engaged in accordance with the ADB Procurement Policy (2017, as amended from time to time) and the associated project administration and/or staff instructions.

⁵ The decision as to whether supply chain finance due diligence expert(s) will be engaged via a firm or individual contract(s) will be determined based on future requirements of the program.

SUBPROJECT COST ESTIMATES AND FINANCING PLAN

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=46920-020-TARreport>

1. Terms of Reference for Consultants
2. Approved Major Change in Scope and Amount