



Technical Assistance Cluster Report

PUBLIC

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Business Development and Implementation Support for Non-Sovereign Operations

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Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member countries
PSOD	–	Private Sector Operations Department
TA	–	technical assistance

NOTE

In this report, “\$” refers to United States dollars.

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1. Cluster Subproject Descriptions
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TECHNICAL ASSISTANCE AT A GLANCE

1. Basic Data		Project Number: 57279-001	
Project Name	Business Development and Implementation Support for Non-Sovereign Operations	Department/Division	PSOD/PSTS
Nature of Activity	Project Preparation, Capacity Development	Executing Agency	Asian Development Bank
Modality	Cluster		
Country	REG (All DMCs)		
2. Sector		ADB Financing (\$ million)	
✓ Finance	Banking systems and nonbank financial institutions		0.313
	Housing finance		0.313
	Infrastructure finance and investment funds		0.313
	Small and medium enterprise finance and leasing		0.313
Agriculture, natural resources and rural development	Agricultural production		0.313
	Agro-industry, marketing, and trade		0.313
Education	Education sector development		0.313
Energy	Conventional energy generation		0.313
	Oil and gas transmission and distribution		0.313
	Renewable energy generation - solar		0.313
	Renewable energy generation - wind		0.313
Health	Health system development		0.313
Transport	Multimodal logistics		0.313
	Rail transport (non-urban)		0.313
	Road transport (non-urban)		0.313
Water and other urban infrastructure and services	Urban water supply		0.313
		Total	5.008
3. Operational Priorities		Climate Change Information	
✓ OP1: Addressing remaining poverty and reducing inequalities		GHG Reductions (tons per annum)	0
✓ OP3: Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability		Climate Change impact on the Project	Low
✓ OP5: Promoting rural development and food security		ADB Financing	
✓ OP6: Strengthening governance and institutional capacity		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
		Cofinancing	
		Adaptation (\$ million)	0.000
		Mitigation (\$ million)	0.000
Sustainable Development Goals		Gender	
SDG 1.a		No gender elements (NGE)	✓
SDG 2.3			
SDG 3.6, 3.c			
SDG 4.7			
SDG 6.3			
SDG 7.1, 7.2, 7.3, 7.a, 7.b			
SDG 8.10, 8.4			
SDG 9.1, 9.3, 9.4			
SDG 11.1			
SDG 12.8			
4. Risk Categorization		Poverty Targeting	
Low		General Intervention on Poverty	✓
5. Safeguard Categorization		Safeguard Policy Statement does not apply	
6. Financing			

TECHNICAL ASSISTANCE AT A GLANCE

Modality and Sources	Amount (\$ million)
ADB	5.000
Technical assistance: Technical Assistance Special Fund	5.000
Cofinancing	0.000
None	0.000
Counterpart	0.000
None	0.000
Total	5.000

Currency of ADB Financing: US Dollar

I. INTRODUCTION

1. Reducing poverty in Asia and the Pacific requires strong private sector engagement to address key development and infrastructure gaps, offer stable trade opportunities, and create gainful employment. While the region has experienced robust growth with substantial private sector engagement In Strategy 2030,¹ the Asian Development Bank (ADB) committed to significantly increase its private sector support through providing financing and support to commercially viable private sector projects. In many of ADB's developing member countries (DMCs), particularly fragile and frontier economies, identifying and developing sustainable private sector projects for ADB to support remains a key challenge.

2. Such challenges arise from inadequate awareness of private sector sponsors and borrowers about the value which ADB's private sector operations support can bring to potential interested private sector partners in terms of products and expertise in designing and preparing projects that would comply with ADB's safeguards and credit requirements, encourage women's participation, and, in certain cases, help correct deficiencies in a business's enabling environment that deter private sector investments.

3. Corruption, fraud, and money laundering harm economic development and hinder efforts to reduce poverty: together, they have emerged as one of the key development challenges in Asia and the Pacific. To address this, ADB's Anticorruption Policy requires ADB projects and staff to adhere to the highest standards.²

4. The technical assistance (TA) project aims to address these key development gaps by preparing a pipeline of private sector projects in DMCs that meet ADB's stringent requirements. Investment in high quality private sector projects in Asia and the Pacific requires extensive project preparatory market research, study, and survey, followed by identification, early-stage screening, origination, preparation, and processing of commercially viable non-sovereign transactions for potential ADB private sector participation. An important part of such activities also entails identifying potential integrity, reputational, and money laundering risks and designing appropriate mitigation measures. The TA will complement ADB's own efforts, research and transaction support, and portfolio management activities with respect to integrity due diligence issues.

5. The TA responds directly to ADB's Strategy 2030, which calls for expanding private sector operations by providing financing and promoting high standards of corporate governance, integrity, transparency, and social and environmental safeguards.³ The TA is also consistent with ADB's operational plan for private sector operations, 2019–2024, which requires ADB to promote the highest level of integrity in its operations, be disciplined and selective, and ensure that lending and investment decisions are based on a thorough understanding of the risks and that risks and rewards are balanced appropriately.⁴

II. JUSTIFICATION FOR THE CLUSTER MODALITY

6. The TA adopts a cluster modality because it provides an opportunity to support identifying and developing sustainable private sector projects over a longer period without tying down entire

¹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

² ADB. 1998. *Anticorruption Policy*. Manila.

³ Footnote 1.

⁴ ADB. 2019. *Operational Plan for Private Sector Operations, 2019–2024*. Manila.

TA resource requirements at the onset and allows the TA to be more flexible and responsive to the needs of the clients.

III. THE TECHNICAL ASSISTANCE CLUSTER

A. Impact and Outcome

7. This TA is expected to (i) broaden the private sector's awareness of ADB's products and requirements and help strengthen their ability to benefit from ADB's investments, (ii) enhance private sector investment in Asia and the Pacific, (iii) pursue development impact as the key objective, and (iv) meet best-practice integrity standards on private sector projects. Through the catalytic role played by ADB, the TA will facilitate development and financing of private sector projects and crowd in commercial investments into ADB's DMCs.

8. The outcome of the TA will be enhanced project-readiness among potential private sector sponsors and borrowers, leading to the identification and preparation of commercially viable projects that comply with ADB requirements, align with ADB's strategic priorities, and are ready for consideration for non-sovereign ADB assistance.

B. Outputs, Methods, and Activities

9. Each TA cluster subproject will deliver all or some of the following outputs, as specified in each TA cluster subproject proposal.

10. **Output 1: Country- or region-specific market and sector research and business development activities conducted.** The TA will:

- (i) identify areas and sectors closely aligned with ADB's operational priorities;
- (ii) lead to higher visibility and readiness of potential private sector projects, including in fragile and conflicted-affected states or in sectors with high development impact, employment generation (e.g., inclusive business, social infrastructure, lending to small and medium-sized enterprises, among others);
- (iii) ensure that potential private sector recipients of ADB financing benefit from knowledge sharing and outreach events, including those hosted by other development partners in DMCs, by becoming aware of ADB's products, processes, and requirements;
- (iv) help generate new business leads and opportunities through close interactions with development partners in the market (other multilateral and bilateral donors involved in private sector operations, for example) and ADB regional department; and
- (iv) enable local banks, development partners, and sponsors to maintain a stronger relationship with ADB.

11. The TA will carry out early-stage market and sector research-related activities, including (i) technical and commercial assessments, including evaluating market barriers, gaps in financing, and unmitigated risks that constrain the private sector, including ADB's investment; (ii) identifying relevant market actors and partners; (iii) assessing the need for possible public sector support to mitigate regulatory and other risks and/or "blending" discrete subsidies to leverage investment. This on-the-ground research will identify information required for tactical and strategic planning

by the Private Sector Operations Department (PSOD) and for pipeline development. The TA will identify new markets and opportunities in sectors and countries in which the private sector and ADB are under-represented, aiming to identify players in these markets for potential ADB-financed investments. PSOD will seek activities supporting regional cooperation initiatives, encouraging women's participation, and addressing innovative climate change approaches. PSOD may conduct workshops and seminars to enhance the awareness of DMCs and their private sectors about ADB's presence in markets in which ADB is under-represented.

12. **Output 2: Potential borrowers' and/or sponsors' project preparatory efforts enhanced through improved awareness of ADB's strategic priorities and requirements and close cooperation at an early stage.** The TA will engage consultants to provide specialized knowledge and expertise in specific countries and sectors in commercial, financial, technical, safeguards, gender, climate change, and integrity due diligence to help identify, select, and screen early stage projects.⁵ PSOD will deploy resources to prepare and develop projects to help private sector sponsors prepare commercially viable projects and help them meet requirements under ADB's safeguards policies and procedures, including ADB's Safeguards Policy Statement 2009.⁶ PSOD may also deploy resources to (i) ensure that potential private sector sponsors and/or borrowers are able to adhere to the requirements under ADB's 2015 Integrity Due Diligence Guidelines for Non-sovereign Operations⁷ and (ii) help identify how potential private sector sponsors and/or borrowers of structuring projects may mitigate potential integrity issues. PSOD will carry out further project preparatory activities over a wide range of sectors and projects (to be identified) based on specific business needs to ensure that potential private sector recipients of ADB financing are equipped to meet ADB's operational, financial, and safeguards requirements on an ongoing basis, and to comply with ADB's reporting, portfolio management, and monitoring requirements.⁸ This will include helping potential borrowers gather and report information related to development impacts and indicators of ADB-financed transactions.

C. Cost and Financing

13. The TA cluster financing amount is \$5,000,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (\$2,000,000 from TASF-donor contribution, \$3,000,000 from TASF-income transfer).

14. The total TA cluster amount is broken down per output in Table 1.

Table 1: Cost Breakdown per Output

Output	Indicative Cost (\$)	Percentage of TA Amount (%)
Output 1:	1,000,000	20
Output 2:	4,000,000	80
Total	5,000,000	100

TA = technical assistance.

Source(s): Asian Development Bank estimates.

⁵ This includes ensuring that necessary language skills are engaged in some markets.

⁶ ADB. 2009. *Safeguard Policy Statement*. Manila.

⁷ ADB. 2015. *Integrity Due Diligence Guidelines for Non-sovereign Operations*. Manila.

⁸ As projects under different financing modalities are the intended impact of this TA, ADB's Safeguards Policy Statement Appendix IV on Special Requirements for Different Finance Modalities will apply.

D. Implementation Arrangements

15. Implementation arrangements are summarized in Table 2.

Table 2: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	10 November 2023–31 December 2028		
Executing agency	Asian Development Bank		
Implementing agencies	PSOD's Private Sector Transaction Support Division will administer the TA and will help the deal teams draft the terms of reference and engage consultants as needed. ADB's Office of General Counsel will be responsible for engaging legal assistance, as needed.		
Consultants	To be selected and engaged by ADB		
	Firm: To be determined, based on identified need and/or opportunity	Selection method: Quality- and cost-based selection Direct contracting	\$1,500,000
	Individual: To be determined, based on identified need and/or opportunity	International and national expertise (no. of person-months – to be determined)	\$3,500,000
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank, PSOD = Private Sector Operations Department, TA = technical assistance.
Source: Asian Development Bank estimates.

16. The project preparatory and development activities proposed under the TA will generally be sector-specific and early stage in nature and will primarily entail carrying out market surveys, research and scoping, and project sourcing. Such activities will typically be carried out by consultants appointed on a retainer basis, covering multiple sponsors across a sector, and may not be associated with a single project or private sector sponsor. Therefore, the requirement under paragraph 5 of Attachment 1 of the TA Staff Instructions⁹ for recovery of costs incurred under the TA will not generally be applicable. However, wherever it is feasible to establish a clear link between a specific component of this TA and a particular project which receives further financial assistance from ADB, PSOD will arrange to recover proportional, related cost from the beneficiary.

17. **Subprojects.** The TA cluster will be implemented through three subprojects (Annex 2). Each subproject will be designed to support the achievement of the cluster outputs during the implementation period. The indicative implementation period and the budget allocation for the subprojects are summarized in Table 3.

⁹ ADB. 2023. Business Processes for Technical Assistance. *Staff Instructions based on Operations Manual section on Technical Assistance, OM D12*. Manila.

Table 3: Indicative Implementation Period and Budget Allocation for Subprojects

Item	Subproject Title	Implementation Period	Budget (\$'000)
Subproject 1	Supporting Integrity Due Diligence for Private Sector Projects	Nov 2023–Dec 2028	3,000,000 ^a
Subproject 2	Supporting Private Sector Projects	Mar 2024–Dec 2028	1,000,000
Subproject 3	Supporting Private Sector Projects	Jun 2025–Dec 2028	1,000,000

^a The initial technical assistance (TA) amount that will be processed for subproject 1 will be based on the Private Sector Operations Department's available Technical Assistance Special Fund budget for 2023. Supplementary TA projects will be processed in the succeeding years to increase the TA amount.

Source: Asian Development Bank estimates.

18. **Consulting services.** ADB will engage consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁰

IV. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$5,000,000 on a grant basis for Business Development and Implementation Support for Non-Sovereign Operations, and hereby reports this action to the Board.

¹⁰ Terms of Reference for Consultants (Annex 2).