



ASIAN
EVALUATION
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Evaluation of ADB's Private Sector Equity Investments 2006–2017

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5 Key Messages

1. Private equity is an increasingly important source of capital in Asia and ADB can play a role in key market niches.
2. Financial returns for Direct Equity investments significantly outperformed Private Equity Funds (PEFs). Recent portfolio trends point to a shift towards investments at IPO and the targeting of more established large funds.
3. The development performance and results of direct equity investments fared much better than PEFs. Overall only half of equity investments succeeded developmentally.
4. ADB's organization for delivery hinders its ability to source, add value, and exit equity investments.
5. ADB lacks an overall business plan for private equity investments at a time when headroom has been dramatically increased due to the ADF/OCR merger.

Equity in Asia and ADB's Role

- Private equity, focused on supporting the financing needs of unlisted companies, has become an increasingly important source of capital in Asia since 2000.
- People's Republic of China (PRC) attracts the largest share of investors' interest, followed by India.
- Between 2006-2017, ADB committed \$1.8 billion in 67 private sector equity investments.
 - \$853 million were in 33 direct equity investments; and
 - \$943 million were through 34 private equity funds (PEFs).
- At the end of 2017, equity investments made up only 1.0% of ADB's total outstanding portfolio and account for 16.2% of the nonsovereign outstanding portfolio, majority targeting PRC and India.

Development Performance of ADB Private Equity Investments

- Overall success rate of ADB equity investments was 56%.
 - Marked difference between direct equity investments (85%) and equity invested through PEFs (37%).
- ADB's investment profitability performance was also considerably higher for direct equity investment (85%) then for PEFs (27%).
- In terms of additionality, 68% of equity investments performed well.
 - Marked difference between direct equity investments (75%) and equity invested through PEFs (63%).
- Only 48% of equity investments performed well for ADB work quality.
 - Marked difference between direct equity investments (65%) and PEFs (37%).

Development Results of ADB Private Equity Investments

- The development results of direct equity were also more evident than those of PEFs.
- Direct equity investments generally improved the access to finance of investee companies, expanded their operations, and strengthened their financial sustainability.
- Results of PEFs were well below expectations with limited improvements to access to finance and seldom occurrence of financial sustainability and operational growth of investee companies.
- Both direct equity and PEFs played some role in enhancing job creation and in improving companies' environmental and social policies.
- Corporate governance improvements were limited and were more evident in direct equity where ADB played a more direct role, than in PEFs.



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Thank you!