Sector challenges and Project Overview

- **Challenges to decarbonizing MSMEs**
  - Large number – emit more than 50% of total household and industry CO2 in the PRC
  - Outdated equipment and less efficient processes
  - Access to finance constraint
    - Weak credit profile and higher credit risks
    - Lack of collateral
    - Difficult to monitor energy saving and CO2 emission reduction

- **ADB partners with Ping An International Financial Leasing**
  - Using the financial leasing modality
    - Equipment ownership remains with the leasing company during the lease term
  - $100 million ADB loan dedicated for MSME Energy Efficiency Finance
    - Minimum 10% energy saving compared to industry average
  - Technical assistance to support capacity development and standard setting
  - Leveraging PAIFL’s financial technology (fintech) capacity
Use of Fintech by PAIFL

- Use of online platforms in mobile devices and cloud for the management of suppliers, customers, employees, and risk.
  - “Mini Equip” app for vendor suppliers: customer origination, contract management, and e-signing;
  - “Micro Leasing” app for leasing customers: financing application, payment and invoice solution, account management, equipment purchase, maintenance management, and sale functions;
  - “SMF Office” app for employees: integrated franchise management, customer management, project management, announcement management, and process management functions;
  - “Equip Band”, an internet of things (IoT)-based device attached to the leased equipment for real-time performance monitoring:
    - Collect and upload equipment operation data to the cloud for viewing by each MSME lessee in real time;
    - Conduct multidimensional analysis of its leased assets, including capacity utilization rate of the equipment.
Use of Fintech by PAIFL (cont.)

- Using the data collected from the equip-band, calculate “Manufacturing MSMEs Capacity Utilization Index” during the COVID pandemic
- To develop a “Carbon Forest” using the real time energy consumption data
  - To enable MSMEs to participate in carbon trading in the long term
Replications in other DMCs

- Wider adoption of fintech
  - Currently limited to consumer finance in most DMCs
  - Applications for MSME Finance
    - Big-data analytics for credit assessment and underwriting
    - Online platforms to increase operating efficiency of financial institutions
    - Low cost “equip band” style monitoring devise

- Role of MDBs such as ADB
  - Coordinated efforts by Private Sector Operations Department, Sector Groups and Thematic Groups - One ADB approach
    - Develop supporting legal and regulatory framework for leasing
    - Technical assistance for standard setting
    - Private sector financing
    - Knowledge sharing
Thank You