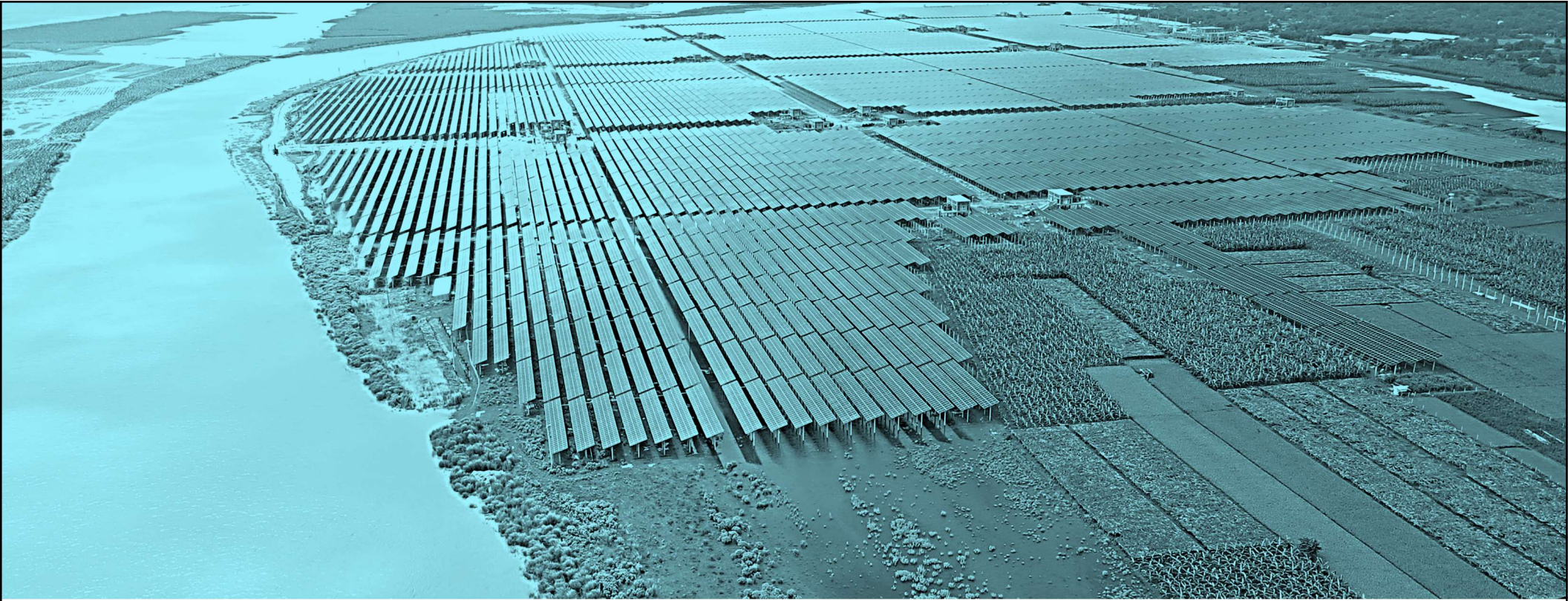


*The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.*

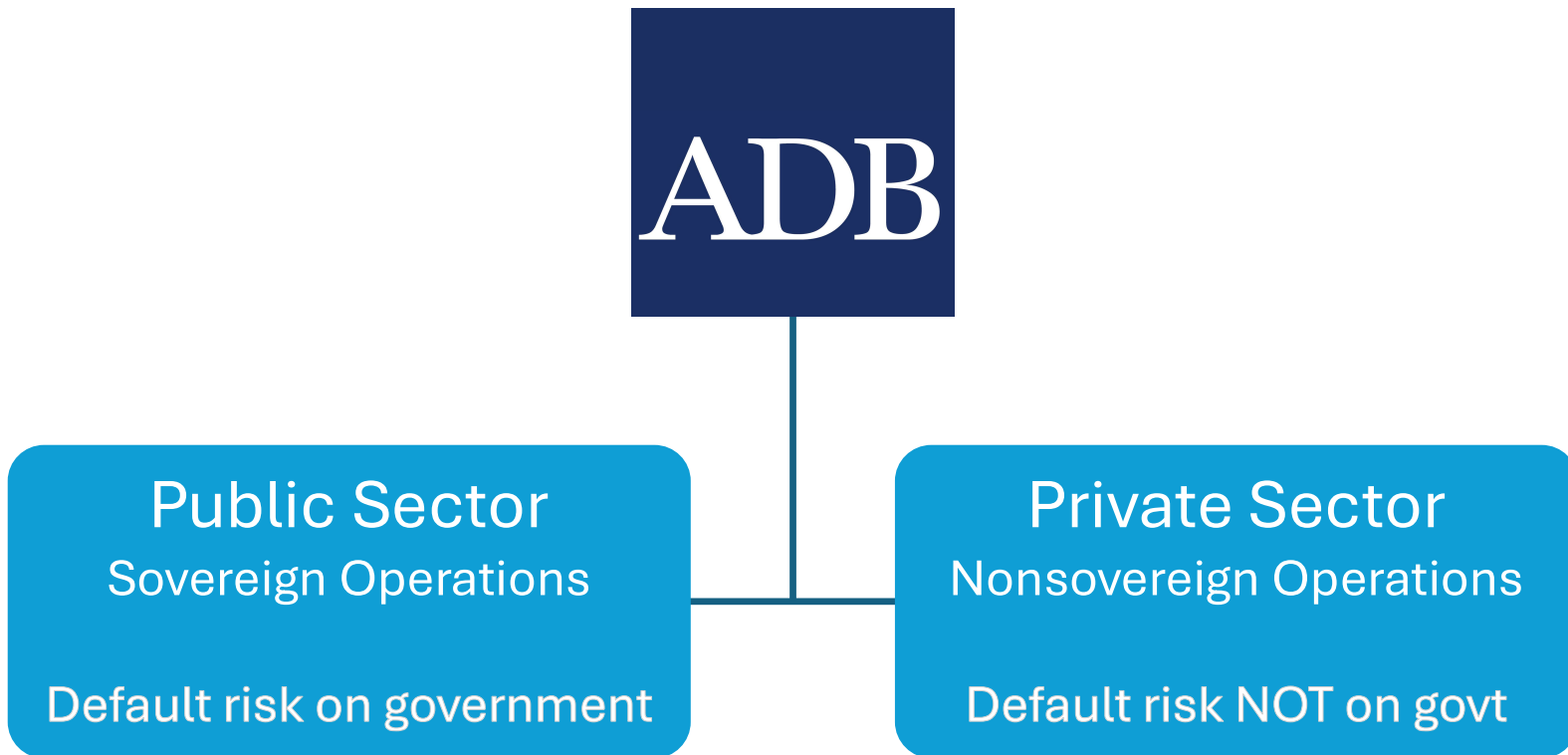


ADB

# Private Sector Operations Bangladesh

Asian Development Bank | 2024

# Sovereign Financing Vs Non-Sovereign Financing



# Why Private Sector Investment Needed



Net Official Development Assistance  
\$7.8b (2024)



Net Foreign Direct Investment  
\$3.3b (2023)

Public Investment as % GDP (2023): 6.8 (21%)

Private Investment as % GDP (2023): 25.8 (79%)

Data Sources: Investment Gap: unescap.com; PowerPoint Presentation; Net Official Development Assistance: <https://www.bb.org.bd/en/index.php/econdata/index>; Net Foreign Direct Investment: [World Investment Report 2023](#); Public and Private Investment as % of GDP: ADB's Bangladesh Economic Indicator Update, September 2024.

# Operational Plan for Private Sector Operations, 2019–2024

Integrated approach: sector, product, thematic and organizational initiatives to achieve Strategy 2030

Focus on **project count** and **quality targets**

More investments in FCAS / SIDS / less-developed DMCs and new sectors

Mobilization of **third-party resources** including official and commercial **co-financing platforms**

Enhanced **risk and portfolio management** and **integrity and tax due diligence**

More **granular and diversified** portfolio while still supporting **landmark** transactions

Reinforced approach to **gender** and new tools for **development effectiveness** and **additionality**

More **structured products** and enhanced **local currency offerings**

Expanded **equity** platform including **project incubation** and development

Strategic use of **concessional finance** and **technical assistance**

Better and more frequent **One ADB** collaboration

**Decentralization** of PSO-focused staff, increased staff **training** and **rotations**

Improved **business processes** (e.g. FAST), **HR management** and **systems** (e.g. NSO Change)

# Mobilization

## Strategy 2030 target of \$2.50 long-term cofinancing for every \$1.00

**B-loans** (ADB as lender of record for commercial banks lending cross-border in US dollars)

Local currency complementary loans to mobilize onshore finance

**Parallel loans** from other lenders on commercial terms to same project

**PCGs** (comprehensive credit cover on portion of loan / bond)

**PRGs** (cover non-payment caused by political risk events)

**Risk transfers** to third parties such as insurance companies and banks

**Third-Party Funds and Asset Management** particularly in areas such as infrastructure and climate change

**Concessional / Blended Finance** deployed on more favorable terms than market

Support of **capital market issuances** (particularly ESG, green and climate bonds)

Scaling up of **PPPs, transaction advisory services** and **project preparation support** through Asia Pacific Project Preparation Facility

Coordination, cooperation and harmonization on **cofinancing** with other **international financial institutions**

# Sector Focus



**Infrastructure**  
Catalyzing economic growth and social equity via energy, waste, water, transport, and telecommunications facilities



**Environmental protection**  
Developing sources of renewable energy and encouraging energy efficiency



**Finance and capital markets**  
Providing better access to higher-quality financial services across Asia's developing markets



**Sustainable agribusiness**  
Promoting environmentally friendly food production, processing, and distribution

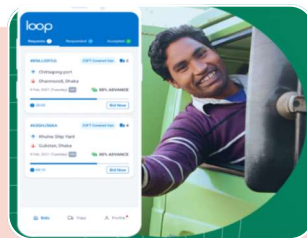


**Education**  
Building human capital through the expansion of basic and higher education services



**Health**  
Supporting private providers of high quality and affordable healthcare

# Sector Focus - Bangladesh



## Infrastructure

Energy, Power  
Water, Waste Mgt  
Transport  
ICT

Paramount Solar  
Reliance Power  
Summit Bibiyana II

## Financial Institutions

Financial Inclusion  
Climate Mitigation  
Sector  
Development

Eastern Bank  
BRAC Bank

## Agribusiness

Farming  
Processing  
Logistics  
Retailing

Rupshi Seed  
Crushing  
Pran Dairy  
Sylvan Agriculture

## Social Sectors

Hospitals  
Diagnostics  
Medical Supplies  
Education  
Vocational

Food Security  
Facility  
Trade for medical  
supplies

## ADB Ventures

Seed capital with  
focus on gender  
equity and climate

Tiger Energy  
Loop Technologies

## Manufacturing

RMG  
Textiles  
Engineering  
White products

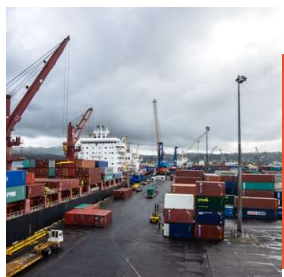
Ananta Garments  
Envoy Textiles

# Products

Instrument	Typical Size	Typical terms	When is it relevant?
Debt	\$20M - \$500M	<ul style="list-style-type: none"> <li>• 7 years (corporate) to 15+ years (project)</li> <li>• SOFR / ADB cost of funds in local currency + credit spread</li> <li>• Secured or unsecured</li> </ul>	<ul style="list-style-type: none"> <li>• Established company with large balance sheet, strong cash flow</li> <li>• Possibility to mobilize co-financing under B-loan or risk participation</li> </ul>
Equity	\$2M - \$100M	<ul style="list-style-type: none"> <li>• 25% ownership maximum</li> <li>• Board seat, Advisory Committee seat</li> <li>• Minority protection rights</li> <li>• Put on the parent company</li> </ul>	<ul style="list-style-type: none"> <li>• Direct: growth companies at any stage through IPO (cornerstone or anchor investment)</li> <li>• PEF: single, multi-sector, country and regional funds</li> <li>• ADB Ventures: early-stage companies focused on new technologies</li> </ul>
Guarantees	\$20M - \$500M	<ul style="list-style-type: none"> <li>• Partial credit guarantees (PCG): market-based, fees based off lenders' margin</li> <li>• Political risk guarantees (PRG): market-based, fees based off reinsurance market</li> </ul>	<ul style="list-style-type: none"> <li>• Where other lenders are more efficient than ADB in mobilizing local currency, or reaching target customers (PCG)</li> <li>• In frontier markets (PRG)</li> </ul>
Blended Finance (BF)	\$5M - \$20M	<ul style="list-style-type: none"> <li>• Lower pricing, longer grace periods and/or tenors, subordination, sculpted repayment profiles, reduced security and/or collateral, and/or capped or collared returns</li> </ul>	<ul style="list-style-type: none"> <li>• When transactions demonstrate strong rationale for BF and adherence to DFI-agreed principles – additionality, crowding-in, commercial sustainability, reinforcing markets, promoting high standards</li> </ul>
Technical Assistance	\$0.5M - \$1M	<ul style="list-style-type: none"> <li>• For project preparation TA, reimbursable at closing</li> <li>• For capacity development TA, non-reimbursable grant</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance corporate governance, environmental and social standards, risk management, gender mainstreaming, etc.</li> <li>• Develop new products for underserved segments</li> </ul>



# Programs



## Trade Finance Program

Fills market gaps for trade finance by providing loans and guarantees to banks  
**16 Banks; Limit \$954 million;**  
**\$839 million trade in 2024**



## Supply Chain Finance Program

Reduces SME financing gaps by sharing corporate risk with partner financial institutions  
 Working with ICC and BB



## Microfinance Risk Participation and Guarantee Program

Increases MFIs/NBFIs' access to funding and addresses the needs of the bottom of the pyramid  
**\$45 million program with Standard Chartered**

### Products

- Risk participation (funded/unfunded) - up to 85% risk cover
- Credit guarantee - up to 100% risk cover
- Revolving credit facility
- Training and capacity building

- Risk participation (funded/unfunded) - up to 85% risk cover
- Guarantees - up to 85% risk cover
- Training and capacity building

- Risk participation (unfunded) - up to 50% risk cover\*
- Guarantee - up to 80% risk cover\*
- Training and capacity building

\*Up to 80% risk coverage for COVID-19 transactions is permitted

# Eligible Transactions

- ✓ Located in and/or directly benefits ADB's developing member countries
- ✓ ADB's target sectors (infrastructure, financial sector, agribusiness, etc.) and themes (climate change, inclusive business, etc.)
- ✓ Developmentally and commercially sound, with a clear business plan
- ✓ Financing not directly guaranteed by the government
- ✓ Clear financing or other need (safeguard support, risk coverage, etc.) from ADB
- ✓ Willing to employ professional advisors (legal, technical, environment and social, etc.)
- ✓ For equity investments, a board seat for ADB and clear exit strategy



High  
demonstrational  
value and  
replicability



Innovative  
(new technologies  
or ways of doing  
business)



Highest  
integrity and  
ethical  
standards



Crowding in  
commercial  
financing

## ADB Additionalities

- ✓ Financial, including (i) various products from debt to equity, credit enhancement and risk mitigation, (ii) local currencies, and (iii) longer tenors and patient investor
- ✓ Non-financial, including (i) stamp of approval, (ii) country risk mitigation, neutral broker role with governments, (iii) safeguard and corporate governance expertise, and (iv) extensive knowledge of markets, sectors, and clients

# Approval Process

## Standard Deals

### 1 Concept Review

- Review of business plan and financials
- Initial risk rating
- Internal peer review
- **Concept Review Committee review**

### 2 Due Diligence

- Technical, commercial, legal and safeguards due diligence
- Finalize term sheet
- Formal risk rating
- Disclose safeguards documents

### 3 Final Review

- Investment Committee review
- President's review

Regular Procedure



No Objection Procedure



### 4 Board Approval

- 21-day circulation to the Board for review
- **Board's approval**
- Proposals less than **\$100 million** without major exceptions to ADB policies, potential for significant safeguard issues, novel financing arrangements, significant financial assistance relative to the size of the DMC
- Deemed approval at the expiry of the circulation period in the absence of a request for discussion or a sufficient number of abstentions or oppositions

## FAST Deals\*

### 1 Early Review

- Review of business plan and financials
- Initial risk rating
- **FAST Committee review**

### 2 Due Diligence

- Technical, commercial, legal and safeguards due diligence
- Finalize term sheet
- Formal risk rating
- Disclose safeguards documents

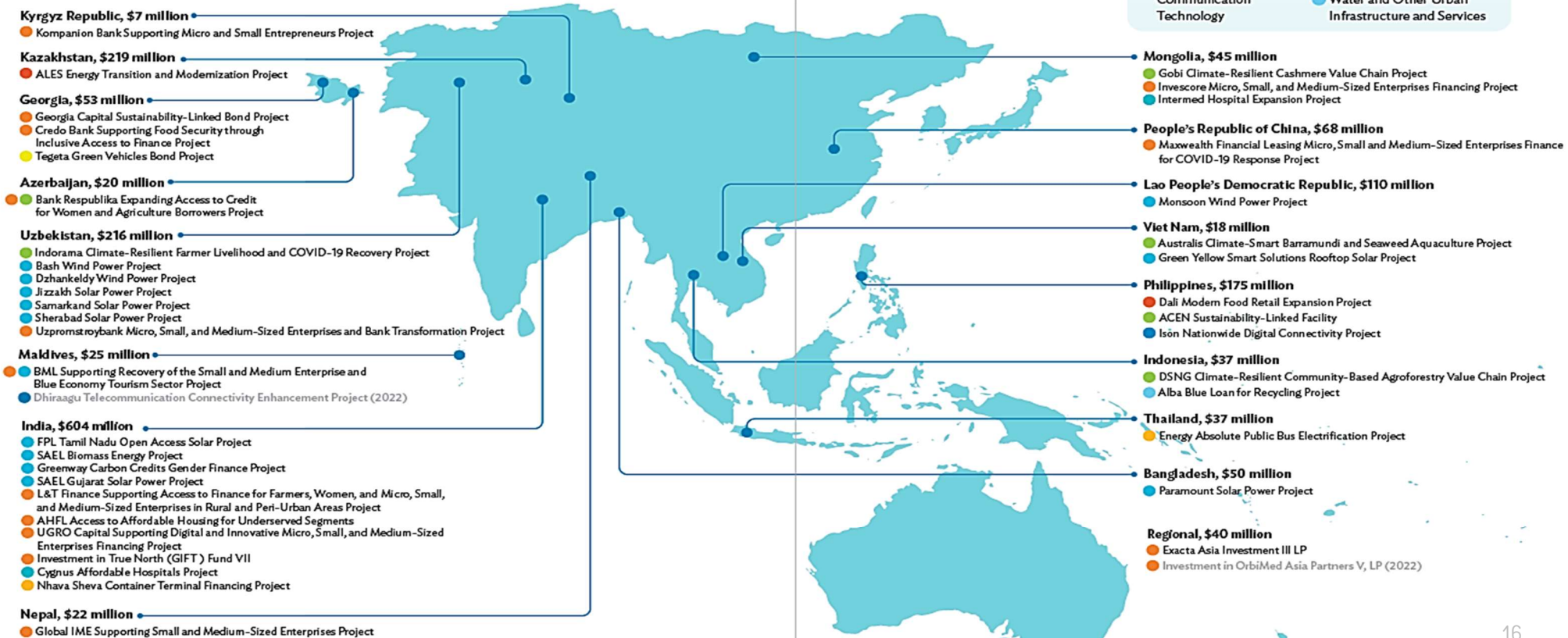
### 3 Final Review

- Investment Committee review
- **President's approval**

# Coverage

## PRIVATE SECTOR OPERATIONS DEPARTMENT COMMITMENTS, 2023

40 projects, \$1.7 billion



Notes: This map shows Asian Development Bank (ADB) regional members only. This map was produced by the cartography unit of ADB. The boundaries, colors, denominations, and any other information shown on this map do not imply on the part of ADB any

# Examples



Direct loan to first integrated cement manufacturing project



Direct loan to independent power producer

# Examples



Intermediary loan to bank for on-lending to private enterprises



Direct loan to power project

# Examples



Direct loan to a denim manufacturing plant



Emergency working capital loan to dairy project

Source: Bd Query (<http://www.bdquery.com/afarge-surma-cement-plant-in-bangladesh>)

# Examples



Direct loan to casava-based starch and glucose manufacturing plant



Equity to a battery swapping venture



# Examples



Direct loan to a solar power project

loop

Loop is a technology-enabled logistics company specializing in truckload freight.

Local freighting app

Easy to use

Safe delivery



Equity to a trucking platform venture

# A Case for State-Owned Corporatized Enterprises



## Power and Energy Sector Strategy Paper (SSP)



Programming Division, Planning  
Ministry of Planning  
Government of the People's Republic of Bangladesh

March 2018

*“GoB must start taking action to further accelerate the private financing NOW, ... Otherwise Bangladesh may experience the delay of required private financing since these actions will take at least a few years to complete.”*



## ANNUAL REPORT 2020



**DECO**  
POWER IS YOURS  
Dhaka Electric Supply Company

*“Due to paucity of financial resources with the Government, there is an urgent need to induct private sector participation in the power sector”*

