

SHIFT private sector development

# ADB AND THE PRIVATE SECTOR

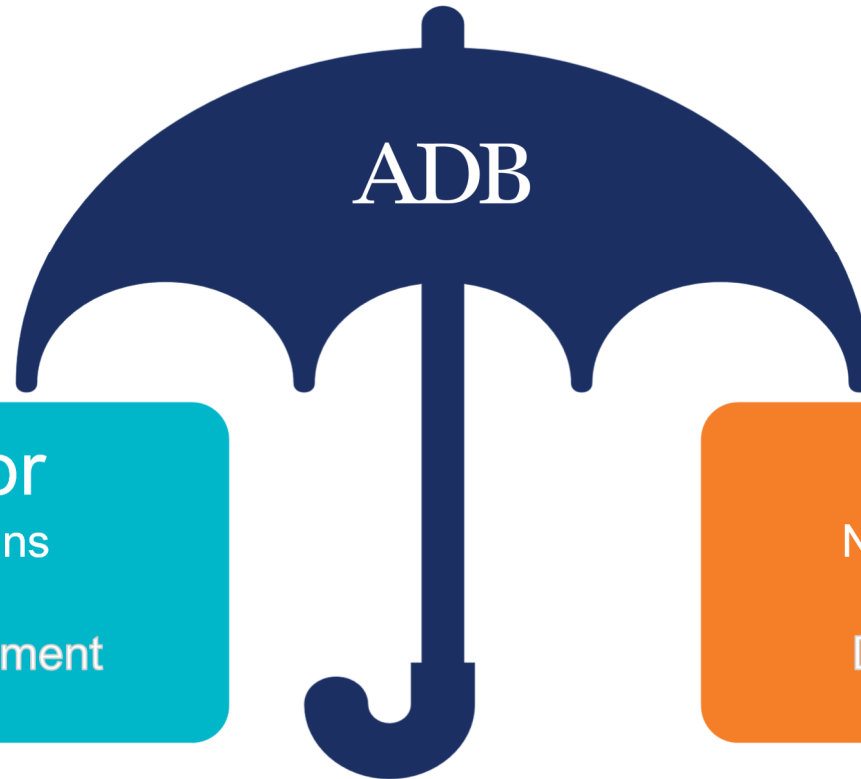
## Unlocking Investment Opportunities in Bangladesh

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# Public and Private: ADB's Two Arms



## Public Sector

Sovereign Operations

Default risk on government

## Private Sector

Nonsovereign Operations

Default risk NOT on govt

# Public and Private: Bangladesh's Two Arms

	<b>PUBLIC SECTOR CONTRIBUTION</b>	<b>PRIVATE SECTOR CONTRIBUTION</b>
<b>GDP SIZE</b>	~20-25%	~75-80%
<b>EMPLOYMENT</b>	~5-7%	~93-95%
<b>EXPORT</b>	~5-10%	~90-95%
<b>INVESTMENT</b>	~25-30%	~70-75%
<b>FOREIGN LOANS</b>	\$8-12 Billion	\$2-4 Billion

# Private Sector Shift Strategy Envisages Fourfold Increase in Investment

## 4 SHIFTS Needed for Achieving Strategy 2030

- Private Sector Development
- Capacity in Climate Change
- Solution Bank
- New Ways of Working



## Proposed Country Partnership Strategy 2028-32: Two Pillars

- Catalyzing Private Sector-Led Economic Diversification
- Enhancing resilience to economic and environmental shocks



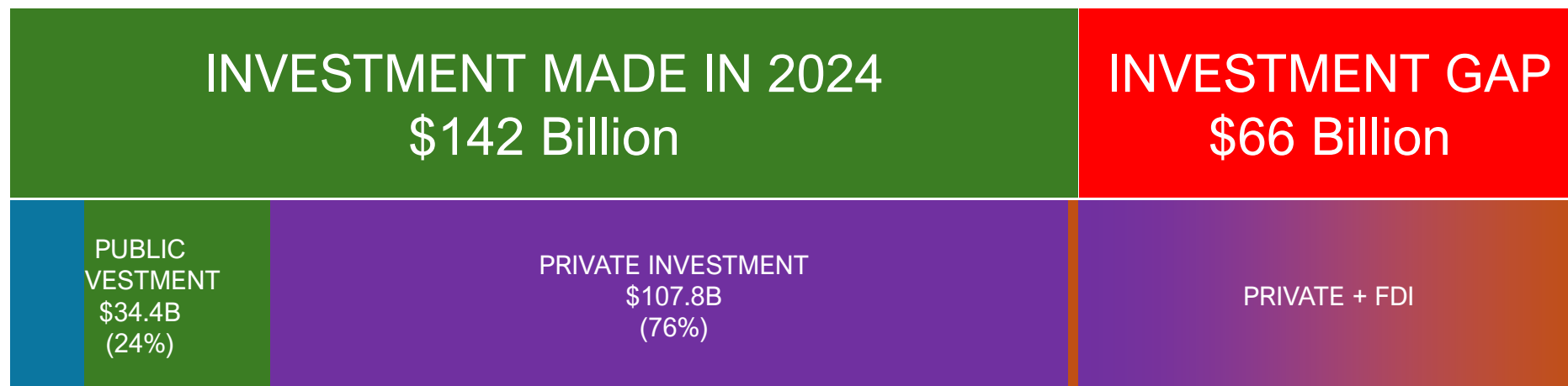
“I've shared consistently; **private sector development is ADB's first priority.** Our private sector operations have more than doubled since 2022, and we're stepping up efforts to **increase total financing for private investment fourfold to \$13 billion annually by 2030**”

Message from President Kanda

# Entrepreneurship Progression: Public Contractor to PPP Owner



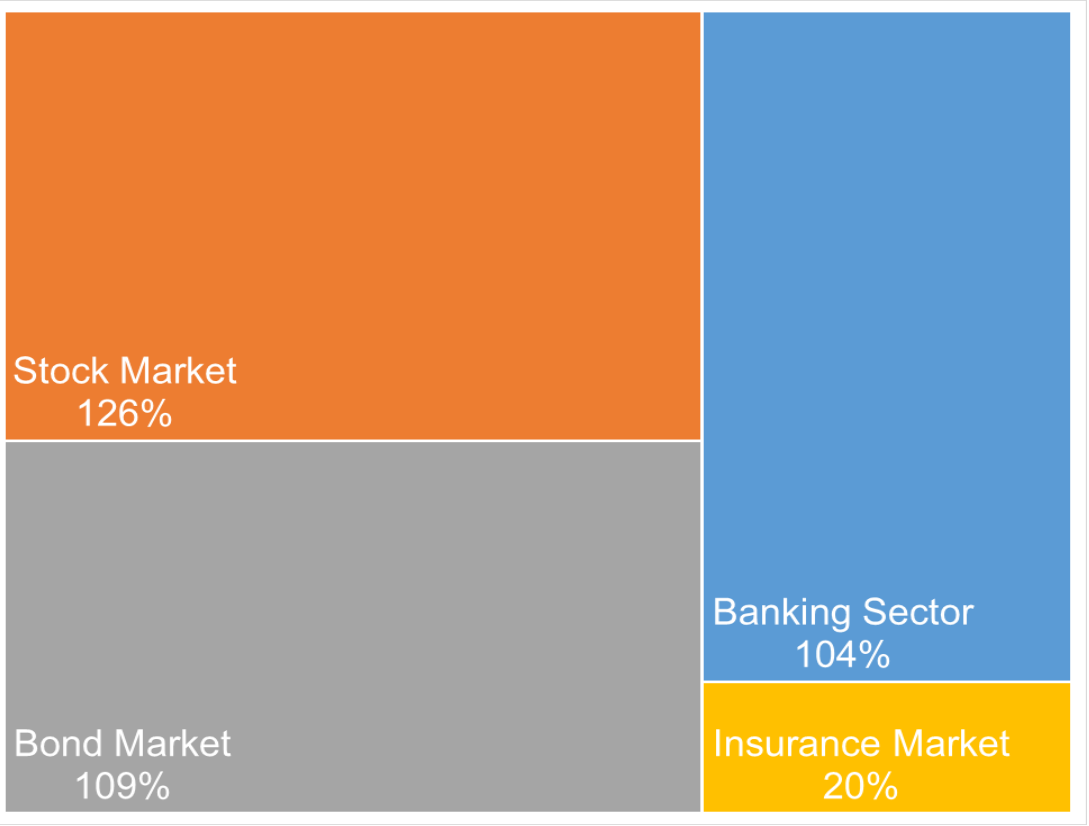
# Investment Gap that Needs to be Unlocked



Net Official  
Development  
Assistance  
\$7.8b (2024)

Net Foreign  
Direct  
Investment  
\$1.2b  
(2024)

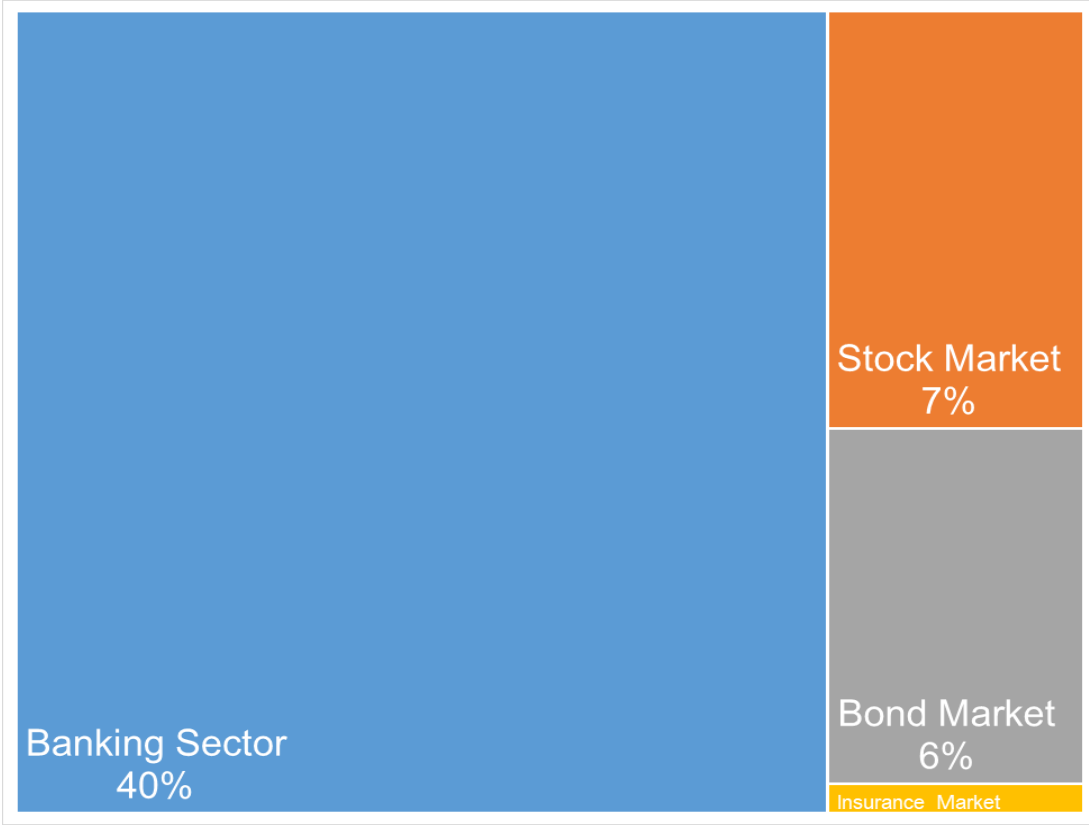
# Financial Market Structure



Asia

**3.6x:** Financial Market's Size to GDP

Balanced Market : Banking (29%), Stock Market (35%), Bond Market (30%)



Bangladesh

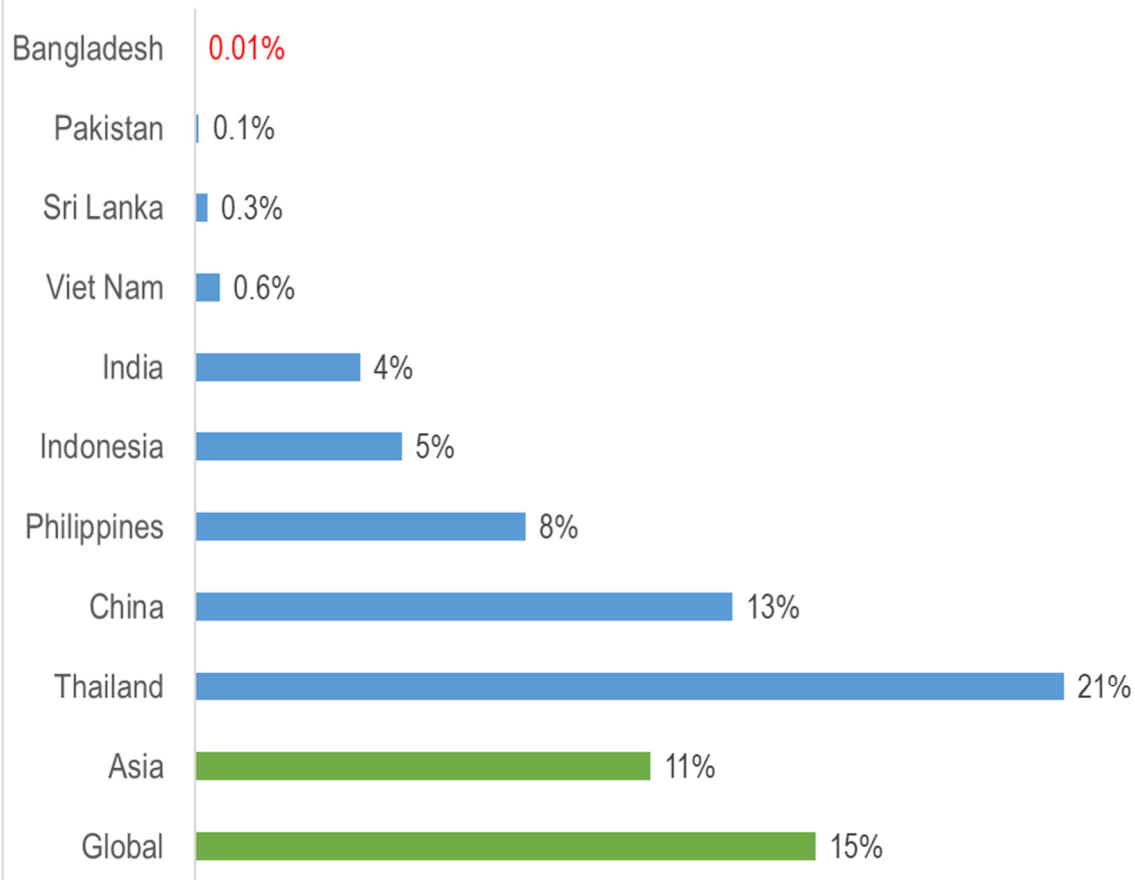
**0.5x:** Financial Market's Size to GDP

Market highly skewed towards banking sector (76%)

Sources : Bangladesh Bank; Asia Bond Monitor (<https://asianbondsonline.adb.org/abm.php#abm-2024-nov>); The Global Economy ([https://www.theglobaleconomy.com/rankings/bank\\_assets\\_GDP/Asia/](https://www.theglobaleconomy.com/rankings/bank_assets_GDP/Asia/); [https://www.theglobaleconomy.com/rankings/insurance\\_company\\_assets/Asia/](https://www.theglobaleconomy.com/rankings/insurance_company_assets/Asia/)).  
 Note: Banking sector data as of 2021; stock market data as of 2022; bond market data as of 2024; insurance market data as of 2020.

# Bond Market: A Comparison

Corporate Bond Outstanding to GDP Ratio (2022)



\$15.4 trillion outstanding corporate bond in World (2022)

\$4.1 trillion outstanding corporate bond in Asia (2022)

**\$0.1-0.3 billion** in Bangladesh

\$32 billion in Philippines (8%)

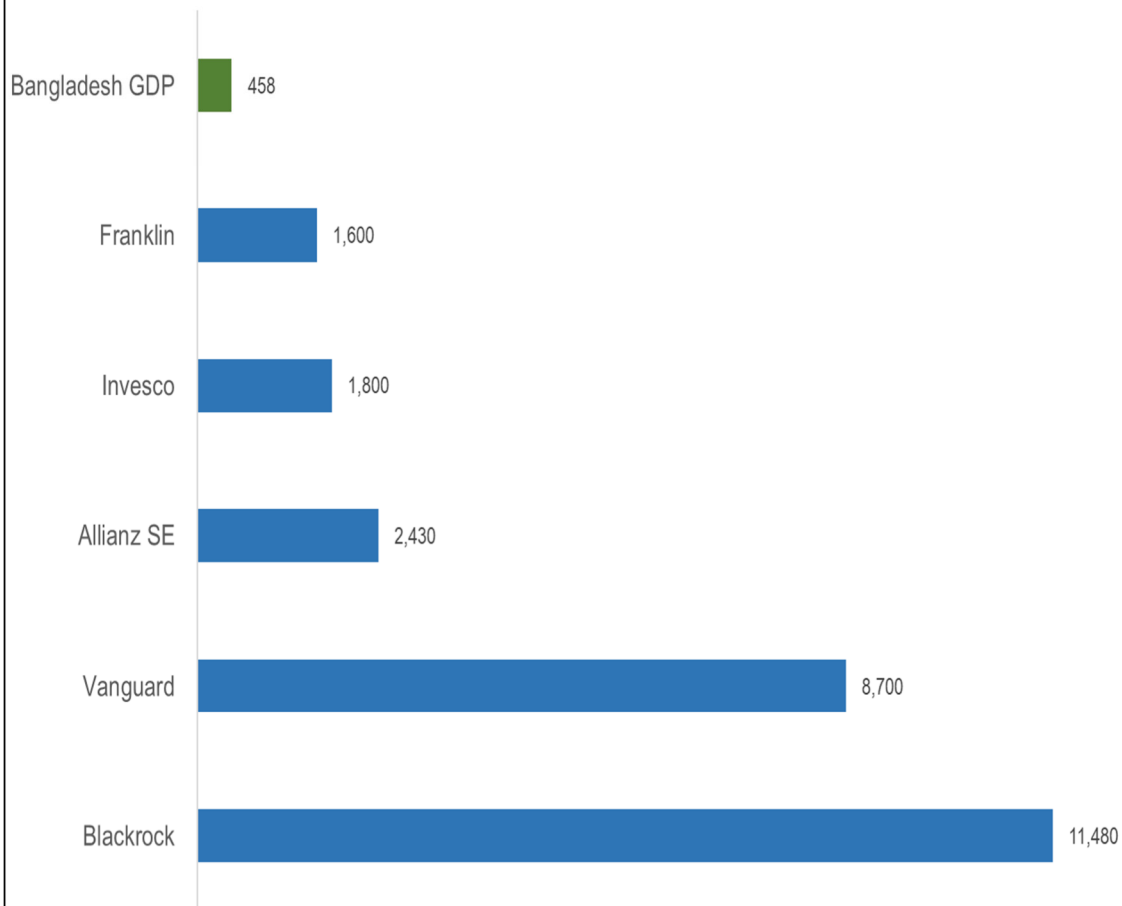
\$62 billion in Indonesia (5%)

\$135 billion in India (4%)

Though Bangladesh is 32<sup>nd</sup> largest economy, ahead of Philippines, Vietnam, Malaysia, it has one of the smallest bond markets in Asia

# International Funding Sources

Fund Managers by Assets (\$ billion), Jan 2025



Source: Statista (<https://www.statista.com/statistics/255864/top-global-fund-groups-worldwide-by-assets/>)

Sovereign funds

Pension funds

Insurance funds

Fund managers

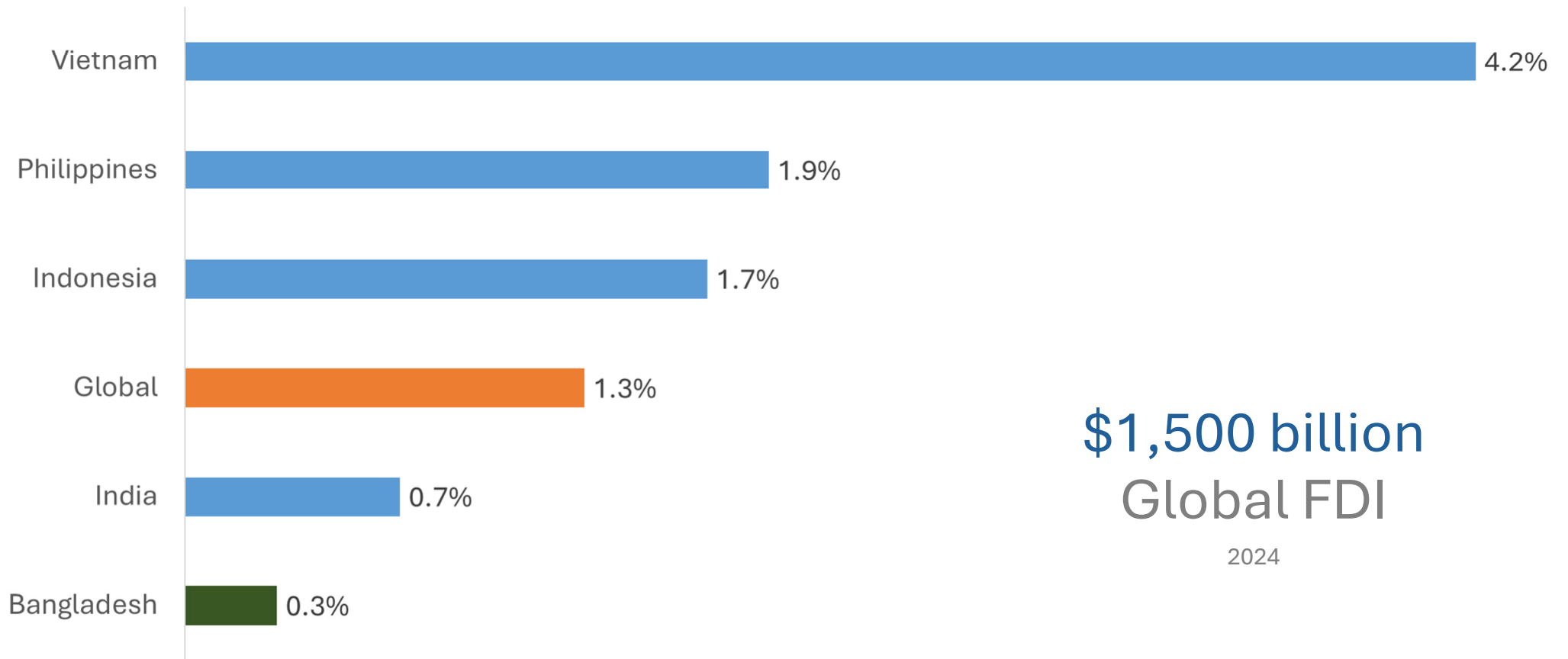
Multinational corporations

Private equity funds

Individual investors

# FDI: Suitable Solution

FDI to GDP, Net Inflows (%), 2024



**\$1,500 billion**  
Global FDI  
2024

# Projects Must Be Bankable



Accounting standards



Reporting standards



Corporate governance



Principal-agent problems



Corporate size



Professional management



Succession



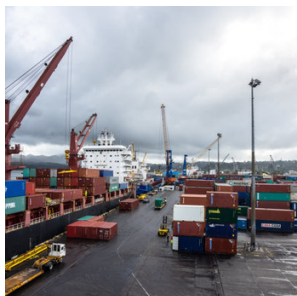
*“Water, water everywhere and  
not a drop to drink”*

*The Rime of the Ancient Mariner  
-Samuel Taylor Coleridge-*

# ADB Financing Modalities

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>

# ADB Financing Modalities



## Trade Finance Program

Fills market gaps for trade  
**16 Banks; Limit \$954 million;  
\$1,337 million in 2024**

### Products

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



## Supply Chain Finance Program

Reduces SME financing  
**Working with ICC and BB**

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



## Microfinance Risk Participation and Guarantee Program

Increases MFIs' access to funding  
**\$45 million program  
\$73 million utilization 2024**

- 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

# ADB Funding: Eligibility Parameters

- ✓ 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  
demonstration  
al 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

# ADB Funding: 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**

# Prospective Sectors



## Infrastructure and Manufacturing

Green infra projects  
Digital infra  
Growing manufacturing sector



## Equity Investments and ADB Ventures

Underdeveloped capital market  
Banking governance expected to improve



## Financial Institutions

Banking sector NPL  
Banking reforms ongoing



## Agribusiness

Strong production and consumption of food products  
Joint-Venture in food processing



## Social Sectors

FX Risk dissuades customers  
Need local currency



## Trade and Supply Chain Finance

Trade picking up  
Export recovering  
Supply chain finance

# Integrated Growth Network Development

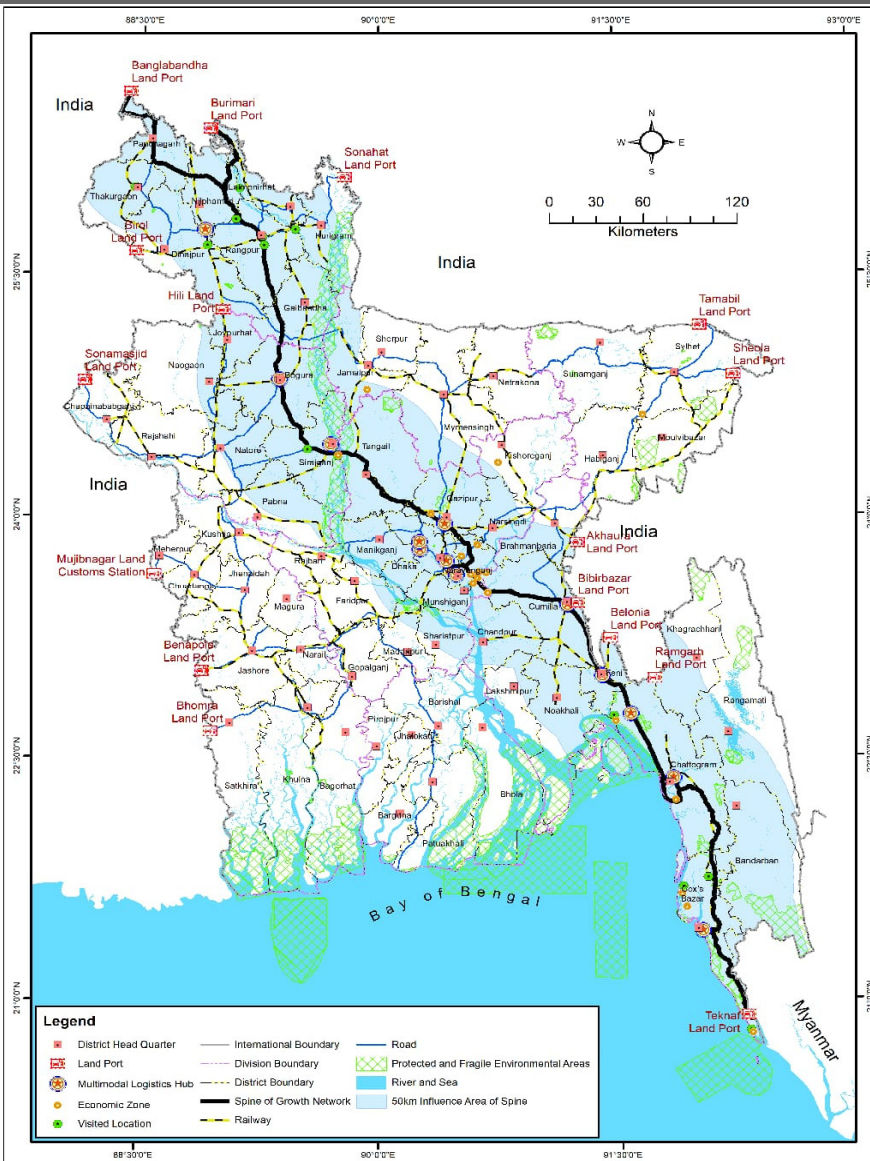
Government approved (May 2026)

2 Percentage Points  
Incremental GDP

10 million  
Employment

\$80 billion  
Investment estimated (20 years)

~50%  
Private Sector Investment Needed



# State-Owned Corporatized Entities (SOCE)



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

# Examples: ADB's Financing in Private Sector Enterprises



Direct loan to first integrated cement manufacturing project



Direct loan to independent power producer

# Examples: ADB's Financing in Private Sector Enterprises



Intermediary loan to bank for on-lending to private enterprises



Direct loan to power project

# Examples: ADB's Financing in Private Sector Enterprises



Direct loan to a denim manufacturing plant



Emergency working capital loan to dairy project

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

# Examples: ADB's Financing in Private Sector Enterprises



Direct loan to casava-based starch and glucose manufacturing plant



Equity to a battery swapping venture

# Examples: ADB's Financing in Private Sector Enterprises



Direct loan to a solar power project

loop

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

Local freighting app

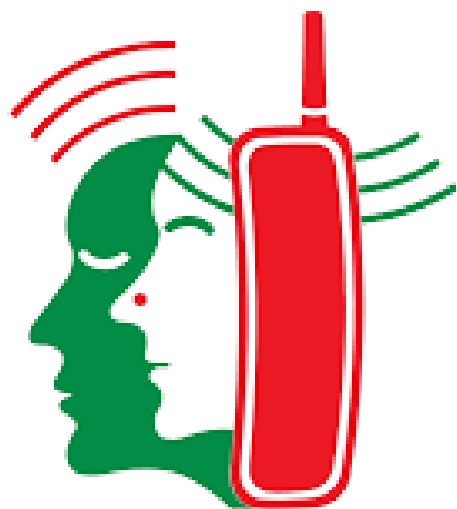
Easy to use

Safe delivery



Equity to a trucking platform venture

## Examples: ADB's Financing in Private Sector Enterprises



**GrameenPhone**

Equity and direct loan to telecommunications



Equity to automated depository and settlement services for securities

# Examples: ADB's Financing in Private Sector Enterprises



Direct loan to an oilseed crushing project



Direct loan to a flour manufacturing project



Questions | Ideas | Criticisms

SHIFT private sector development

ADB