



**Innovative
Financing for
Self-Reliant
Bangladesh**



Bangladesh Development
Forum 2020

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Presentation outline

- Development Financing: Current Context
- Concept of Innovative Financing: Recent Development
- Potential Sources of Financing and Financing Strategy
- Key Challenges of Financing Sources and Way forward
- Role of DPs in Mobilizing Innovative Finance

7th FYP: Financing Framework

(in US \$ Billions)

	Total	Public	Private
Total Investment	409.01	92.98 (22.73%)	316.03 (77.27%)
Domestic Resources	369.88 (90.43%)	81.85 (22.13%)	288.03 (77.87%)
External Resources	39.12 (9.56%)	11.12 (28.43%)	28.00 (71.57%)

1US\$ =BDT 78

Government in Action: SDGs Financing Strategy



SDGs Financing Strategy

Bangladesh Perspective



General Economics Division (GED)
Planning Commission
Government of the People's Republic of Bangladesh
June 2017

US\$ 928.48 Billion additional funding would be required from 2017 to 2030 for Bangladesh.

- Annual average cost: US\$ 66.32 billion
- 19.75% of accumulated GDP from 2017 to 2030

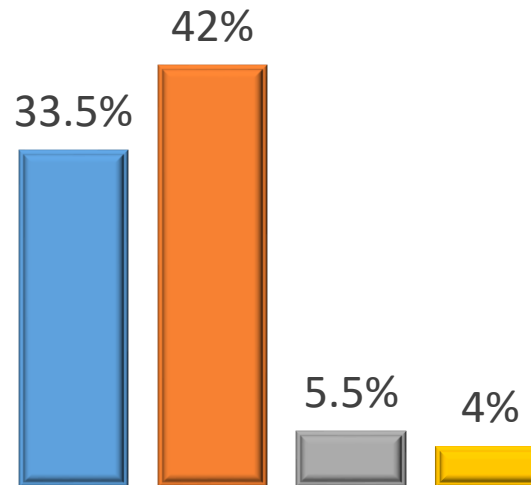
Domestic financing:

**US\$ 796.1 Billion
(85%)**

External Financing:

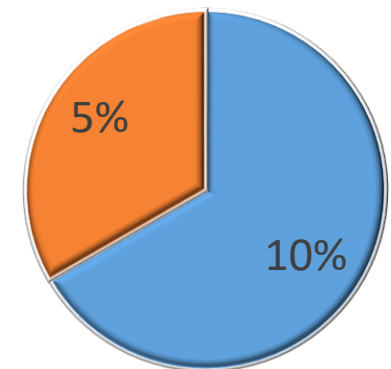
**US\$ 132.4 Billion
(15%)**

Domestic Financing



Govt. Private PPP NGOs

External Financing



FDI Aid & Grants

Innovative Financing

- Innovative Finance refers to a range of strategies to make effective use of generating additional financial resources
- Broad categories of Innovative Financing:
 - Blended Finance
 - Impact Investment
 - Result-based Finance
 - Risk Finance

Innovative Financing: Recent Development in Bangladesh

- Bangladesh Securities and Exchange Commission approved Private Equity, Venture Capital and Impact Fund- Alternative Investment Rule 2015
- In September 2017, the UNDP-SDG Innovative Finance (UNSIF) and Build Bangladesh launched a new Impact Fund
- In November 2019, IFC issued local currency Taka denominated bond **Bangla Bond** in the London Stock Exchange for private sector financing
- Venture capital fund for start-ups is emerging
- Financial Inclusion includes agent banking, e-commerce, mobile banking is growing fast and boosting SME initiatives

Potential financing sources



Domestic Finance

- Tax and Non-Tax Revenue
- Borrowing
- Bond market
- Capital market
- Private investment
- Public-private Partnership
- Impact investment fund, CSR fund
- Climate finance, green finance
- Venture capital, cooperative funds



External Finance

- ODA
- Borrowing from DPs
- Non-traditional Donors- South-South Cooperation
- energy bonds, climate fund
- Private sector borrowing
- FDI and PPP
- Diaspora Bond
- remittances
- International Capital Market-Sovereign Bond

Strategy for Development Financing

Efficiency and Effectiveness

- Increasing tax revenues through widening tax base and improving management
- Addressing Illicit Financial Flows

Strategic Resource Allocation

- Human capital development with skill set for the 4th Industrial Revolution
- Maximizing the benefits of Financial Inclusion

Greater Leverage on Private Sector

- Mobilizing private sector finance - need to address risks, use guarantees and risk-sharing instruments
- Mobilization of new private financing instruments- green finance, GDP-indexed bonds, SDG-linked bonds
- Improving sovereign credit ratings, Export Credit Agency country ratings

Key Challenges and Way forward

Area/Flow	Challenges	Way forward
1. Public Expenditure and National Priorities	<ul style="list-style-type: none"> • Allocative efficiency among sectors • Performances of SoEs 	<ul style="list-style-type: none"> • Improving strategic resource allocation • Strengthening links between planning and budgeting processes • Enhancing operational efficiency in SoEs
2. Revenue	<ul style="list-style-type: none"> • Government revenue to GDP ratio is low • Large informal sector- avoidance of tax 	<ul style="list-style-type: none"> • Widening tax base through automation, training • Integrated budgeting and accounting system- effective and efficient use of IBAS++ platform
3. Private Sector Development	<ul style="list-style-type: none"> • PPP initiatives are yet to tap the potentials • FDI is very low 	<ul style="list-style-type: none"> • Entrepreneur development program, e.g. start up • Improving WB's Doing Business Indicator • Dedicated 100 economic zone and 28 IT park
4. ODA	<ul style="list-style-type: none"> • Aid fragmentation, lack of harmonization, lack of ownership • High dependence on foreign consultants who in many cases lack in local understanding 	<ul style="list-style-type: none"> • Partnering with DPs under Busan Agreement, 2011 Framework • Designing projects through effective consultations • Finding need-based homegrown solutions

Key Challenges and Way Forward

<p>5. Climate Change Finance</p>	<ul style="list-style-type: none"> • Failed to mobilize large funds • No big commitments from international community 	<ul style="list-style-type: none"> • Enhance institutional capacities at local, sub-national and national levels • Campaigning climate change issue at regional and international forums
<p>6. South- South and Triangular Cooperation</p>	<ul style="list-style-type: none"> • Current South-South cooperation modality is mostly supply driven and not well coordinated with traditional donors 	<ul style="list-style-type: none"> • Identify potential scope for resources, knowledge and technology sharing • Pooling resources for building new institutions for supporting impact or social investment
<p>7. Foreign direct investment From \$2 billion to \$10 billion per year</p>	<ul style="list-style-type: none"> • Coordination challenges among various agencies and departments • Financial intermediaries and small capital market • Low level of branding and information 	<ul style="list-style-type: none"> • BIDA should be a single window for potential investors • PPP prioritization for coherence with FDI opportunities • Review the corporate tax regime, tariff and duty for attracting investors
<p>8. Public-private partnerships (PPP) from 0.2 % to 1~2% of GDP</p>	<ul style="list-style-type: none"> • Bangladesh is not known as a market for potential PPP investors • Weak strategic national infrastructure development plan with long-term vision 	<ul style="list-style-type: none"> • Strengthen capacity of financial institutions for equity and debt financing • Develop a risk assessment strategy
<p>9. Remittances</p>	<ul style="list-style-type: none"> • Low value adding job • Lack of job market diversification • Missing effective economic diplomacy 	<ul style="list-style-type: none"> • Massive skill development program • Enhancing economic diplomacy and campaign for recreating Rising Bangladesh image • Building effective network with NRB

Role of DPs/ MDBs/ IFIs

- Promoting new market-based techniques for raising development finance
- Providing assistance in producing reliable and timely data needed to do innovative financing deals
- Partnering in improving sovereign ratings with major rating agencies
- Greater engagement of Non-traditional DPs, i.e. the South-South Cooperation, bilateral supports and new DPs
- DPs can deepen engagement of large and international companies around their business activities
- DPs can mobilize private capital to complement public development financing

Thank you all



*Let's have greater partnership
for effective
development financing*