

FINANCE SECTOR DEVELOPMENT IN ASIA

Amid rising global economic uncertainty, expanding and deepening finance sectors in developing Asia have played a strong role in helping the region face difficult challenges in economic diversification and have increased economic stability.

FINANCE SECTOR HAS CROSS-CUTTING IMPACT ON ALL SECTORS, INDUSTRIES, AND ECONOMIC ACTIVITIES

The Asian Development Bank (ADB) believes that a sound finance sector promotes private sector development, helps create jobs and economic growth, and therefore reduces poverty.

The finance sector has cross-cutting impact on all sectors, industries, and economic activities. It also contributes to global development agendas, including the Sustainable Development Goals of 2030.

ADB assistance in the finance sector has encouraged private sector development, and enhanced access to finance for rural businesses and women. It has done so through lending for finance sector development of \$2 billion in 2016. Of this amount, 71% (\$1.4 billion) was commercial financing leveraged by sovereign operations and 29% (\$0.6 billion) commercial cofinancing and nonsovereign operations. Finance sector operations also contributed \$0.27 billion to ADB's corporate climate finance goal in 2016.

Financial support has had positive impact on countries' economic growth and development and helped reduce poverty, including during the global financial crisis of 2008–2009.

ADB's finance sector operations have helped broaden and deepen national financial systems throughout the region, including, among others, through projects in Bangladesh, India, the Lao People's Democratic Republic (Lao PDR), Pakistan, the Philippines, and Uzbekistan.

ADB has targeted finance sector development in its long-term strategic framework, Strategy 2020, setting up the Financial Sector Operational Plan (FSOP) in 2011 to articulate its implementation. The 2016 midterm review of the FSOP, in turn, provided further focus on three key themes: finance sector development, inclusive finance, and infrastructure finance.

LENDING FOR FINANCE SECTOR DEVELOPMENT

29%
nonsovereign
operations

71%
sovereign
operations

\$2 BILLION
(2016)

For meaningful and sustainable impact, ADB uses innovative approaches through new technologies to solve wider economic challenges, as exemplified in the following:

CATALYZING MARKET FINANCING FOR CLIMATE CHANGE MITIGATION

INDIA

SOLAR ROOFTOP INVESTMENT PROGRAM



\$330 million ordinary capital resources (OCR) multitranche financing facility loan (approved 2016).

- Funds innovative and bankable business models that catalyze market financing.
- Supports renewable energy development and climate change mitigation.
- Funds India meet a 40-gigawatt solar rooftop capacity target by 2022.

EXPANDING THE BASE OF GROWTH BY TECHNOLOGY SOLUTIONS

UZBEKISTAN

SMALL BUSINESS FINANCE PROJECT



\$100 million OCR loan to expand lending to small businesses (approved 2016).

- Improves financial inclusion for female-owned and rural businesses.
- Introduced credit scoring and loan origination facilitated by mobile devices, such as tablet computers.

SUPPORTING DISASTER RELIEF BY NEW BUSINESS LINE

PAKISTAN

NATIONAL DISASTER RISK MANAGEMENT FUND



\$200 million Asian Development Fund (ADF) and OCR loans to establish and operationalize the National Disaster Risk Management Fund (approved 2016).

- Facilitates a disaster-resilient Pakistan by reducing socioeconomic and fiscal vulnerability to natural hazards and climate variability and change.
- Carried out quantitative risk modeling analysis for the primary natural hazards and developed a comprehensive national disaster risk financing strategy.

SUPPORTING A DEEPER, DIVERSIFIED, AND RESILIENT FINANCE SECTOR

PHILIPPINES

FINANCIAL MARKET REGULATION AND INTERMEDIATION PROGRAM



\$200 million OCR loan to enhance financial sector stability, strengthen nonbank financial subsector governance, and improve the efficiency of the securities market (completed in 2013).

- Assisted the government in achieving reform agendas under the national development plan, particularly for financial sector deepening to support economic growth.
- Improved access to finance and increased the contribution of the finance sector to economic growth after the global financial crisis (Business Constraint Index “access to credit” improved from 31.8 to 17.7 and financial stability index improved from 3.3 to 4.1).

FACILITATING PRIVATE SECTOR DEVELOPMENT THROUGH NONSOVEREIGN LOAN

BANGLADESH

BRAC BANK SUSTAINABLE PROJECTS



Up to \$30 million senior loan to BRAC Bank in Bangladesh (approved 2015).

- Improved safety standards of the ready-made garment industry by financing the upgrade, expansion, or construction of factories that satisfy the safety requirement of the Accord and/or the Alliance.
- Improved working conditions for 22,000 women ready-made garment workers.
- Improved environmental standards in the industry sector by financing the construction or expansion of wastewater treatment plants.

PROMOTING A SUSTAINABLE AND MARKET-ORIENTED RURAL FINANCE SECTOR

LAO PDR

RURAL FINANCE SECTOR DEVELOPMENT PROGRAM



\$10 million ADF loan to promote a sustainable and market-oriented rural and microfinance sector (completed in 2013).

- Supported an enabling policy framework for rural and microfinance and sound prudential regulatory environment for rural and microfinance institutions, and transformed the Agriculture Promotion Bank into a financially sustainable and market-oriented institution.
- Expanded the microfinance sector in both credit and savings, with a 451% increase in the number of clients during 2006–2011.
- Facilitated marked improvement in the Agriculture Promotion Bank’s operational efficiency (operating expenses to gross loans decreased from 12% in 2007 to 4% in 2012).
- Contributed to gender equity by providing loans to women, who comprised 59% of total active borrowers.



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