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ASIAN DEVELOPMENT BANK

## Project Data Sheet

Project 45253-002

Project Name Third Capital Market Development Program

Project Number 45253-002

Country / Economy Bangladesh

Project Status Closed

Project Type / Modality of Assistance Loan  
Technical Assistance

### **Loan 3318-BAN: Third Capital Market Development Program**

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Ordinary capital resources	US\$ 150.00 million
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### **Loan 3319-BAN: Third Capital Market Development Program**

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Asian Development Fund	US\$ 100.00 million
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### **TA 8994-BAN: Supporting Third Capital Market Development**

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Technical Assistance Special Fund	US\$ 400,000.00
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Republic of Korea e-Asia and Knowledge Partnership Fund	US\$ 300,000.00
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Operational Priorities OP6: Strengthening governance and institutional capacity

Sector / Subsector **Finance /**

Gender No gender elements

Description The objective of the Third Capital Market Development Program (CMDP3) is the enhanced capacity and size of the capital market that is grounded on a strong legal and regulatory framework.

ADB's focus area in its Bangladesh public sector operations is capital and bond market development, focusing on the provision of long-term infrastructure. This is in line with the government's Sixth Five-Year Plan and the Midterm Review of ADB's Strategy 2020 priorities.

The project was envisaged to support the government's Vision 2021. Vision 2021 laid out a roadmap for Bangladesh to attain middle-income status and set target gross domestic product (GDP) annual growth of 10% by FY2021.

To attain GDP growth targets and sustainable economic growth, Bangladesh should address structural deficiencies in the capital markets by deregulating the financial system to support the real economy and promoting private sector investment to reduce the infrastructure deficit.

CMDP3 builds on the progress of the Second Capital Market Development Program (CMDP2) in 2012. The CMDP2 was aimed at stabilizing the market since the stock market debacle in December 2010 and bringing about reforms that set the foundation for sustainable market development through the passages of critical legislations, such as amendment to the Securities and Exchange Commission Act, 1993, as well as the enactment of the Demutualization Act, 2013, and the Financial Reporting Act, 2015. Despite the major stride toward strengthening its capital markets, there remained constraints. The government and ADB agreed to deepen and broaden the outreach of the second program reforms through the CMDP3. Against this background, the CMDP3 was designed to support several structural reforms, which includes (i) strengthening enforcement capacity of Bangladesh Securities and Exchange Commission (BSEC) and Insurance Development and Regulatory Authority (IDRA) , (ii) ensuring quality financial reporting by public companies as per international standard, (iii) facilitating demutualization of the two stock exchanges, (iv) facilitating recapitalization of intermediaries, (v) developing market infrastructure, (vi) introducing new regulations for Sukuk (Sharia-compliant bonds) and derivatives, (vii) developing mutual fund and private equity/venture capital industry, and (viii) developing more liquid government securities market.

Project Rationale and Linkage to Country/Regional Strategy

Impact

A well-functioning financial system that supports basic capital and investment needs, as well as Bangladesh's longer term economic objectives.

## Project Outcome

Description of Outcome	Enhanced capacity and size of the capital market in a strong legal and regulatory framework
Progress Toward Outcome	Two of the three outcome indicators have been achieved as of January 2020, specifically, (i) enlistment of 570 new securities and (ii) total value of corporate bonds issued increases to Tk 19 billion.

## Implementation Progress

Description of Project Outputs	Strengthened market stability Enhanced market facilitation Enhanced supply measures Enhanced demand measures
Status of Implementation Progress (Outputs, Activities, and Issues)	The loan is provided in two tranches. Upon loan effectiveness on December 2015, the first tranche, was released and 8 policy actions were completed. The second tranche was released on March 2020. Of the 18 policy actions, 17 were fully complied with.
Geographical Location	Nation-wide

### **Safeguard Categories**

Environment	C
Involuntary Resettlement	C
Indigenous Peoples	C

### **Summary of Environmental and Social Aspects**

Environmental Aspects	The capital market reforms under the program are likely to have no adverse environmental impacts.
Involuntary Resettlement	The program has no involuntary resettlement impacts.
Indigenous Peoples	The program has no impact on indigenous peoples.

### **Stakeholder Communication, Participation, and Consultation**

During Project Design	
During Project Implementation	ADB has been consulting public and private stakeholders in capital markets on a regular basis to effectively implement the program.

### **Business Opportunities**

Consulting Services	ADB recruited a consulting firm to provide 17 person-months of international and 8 person-months of national consulting services for (i) installing and operationalizing BSEC new ICT system, (ii) drafting rules for derivatives by BSEC, (iii) facilitating establishment of a clearing and settlement company, (iv) drafting regulations for issuance of Sukuks by BSEC and (v) provide trainings to IDRA. During the TA implementation, all the disbursements under the TA will be made in accordance with ADBs Technical Assistance Disbursement Handbook (2010, as amended from time to time).
Procurement	not applicable
Responsible ADB Officer	Janardanam, Srinivasan
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	<i>Financial Institutions Division-MOF</i>

### **Timetable**

Concept Clearance	25 Nov 2013
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Fact Finding	08 Feb 2015 to 12 Feb 2015
MRM	03 Jul 2015
Approval	20 Nov 2015
Last Review Mission	-
Last PDS Update	10 Dec 2020

### Loan 3318-BAN

#### Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
20 Nov 2015	22 Nov 2015	11 Dec 2015	30 Jun 2018	31 Mar 2020	20 Mar 2020

#### Financing Plan

#### Loan Utilization

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	150.00	Cumulative Contract Awards			
ADB	150.00	17 Jun 2022	150.00	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Jun 2022	150.00	0.00	100%

### Loan 3319-BAN

#### Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
20 Nov 2015	22 Nov 2015	11 Dec 2015	30 Jun 2018	31 Mar 2020	20 Mar 2020

#### Financing Plan

#### Loan Utilization

	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	100.00	Cumulative Contract Awards			
ADB	100.00	17 Jun 2022	98.09	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Jun 2022	98.09	0.00	100%

### TA 8994-BAN

#### Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
20 Nov 2015	17 Jul 2016	17 Jul 2016	30 Jun 2018	30 Jun 2021	28 Sep 2021

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
400,000.00	300,000.00	0.00	0.00	0.00	0.00	700,000.00	17 Jun 2022	572,414.55

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