



Regional: Enhancing Association of Southeast Asian Nations Capital Market Integration

Project Name	Enhancing Association of Southeast Asian Nations Capital Market Integration
Project Number	48143-001
Country	Regional
Project Status	Active
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	TA 8905-REG: Enhancing Association of Southeast Asian Nations Capital Market Integration Investment Climate Facilitation Fund under the Regional Cooperation and Integration Financing Partnership Facility US\$ 1.50 million
Strategic Agendas	Inclusive economic growth Regional integration
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development
Sector / Subsector	Industry and trade - Industry and trade sector development
Gender Equity and Mainstreaming	Some gender elements
Description	The main focus of the TA will be to continue supporting the members of the ASEAN Capital Markets Forum (ACMF) and the ASEAN Stock exchanges. This will be in the form of: (i) supporting members to complete selected initiatives in Implementation Plan; (ii) support selected members to complete integration requirement that enables wider participation in initiatives of the Implementation Plan; (iii) build capacities of regulators from Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) in a structured manner; and (iv) support ACMF and the ASEAN Secretariat in planning for deeper integration post 2015 which may include revising the integration ASEAN Capital Market Scorecard to be more relevant and inclusive. The ultimate beneficiaries of the proposed TA will be the capital market regulators and stock exchanges of the ASEAN member countries. Although the ASEAN Secretariat does not have the mandate nor technical expertise on regional capital market integration, it is a member of ACMF meetings and plays an important role in coordinating the whole process including the ACMF Scorecard. While most components and outputs will be well defined and scoped out, some flexibility is also needed especially for activities post 2015.

Project Rationale and Linkage to Country/Regional Strategy

Capital market development and integration are inter-related. Both share the end objective of economic growth though they contribute in different ways. Integration provides avenue for efficient capital movement and cross border investments by removing barriers while development provides the framework and infrastructure to attract such investments. Capital market development contributes to economic growth in at least three distinct ways: (i) pooling and mobilizing resources for investment (surplus to deficit); (ii) good monitoring standards and corporate governance helps improve the efficiency with which firms allocate and utilize resources; and (iii) diversify and manage risk. According to Levine and Zervos, if a country had increased both stock market liquidity and bank development by one standard deviation, the country's real per capita GDP would have been almost 30% higher and productivity would have been almost 25% higher by the end of the 18-year sample period. Economic theory suggests that financial integration brings the following benefits: (i) lower costs of trading financial assets; (ii) more diverse investor portfolios; (iii) reduce information asymmetry; and (iv) more stable consumption patterns. Thus it is important for ASEAN capital markets to grow, develop and integrate. Regional capital market integration has also shown mixed results. On one hand, intra ASEAN portfolio investment has been increasing since the GFC and for the first time in 2010, total intra investment at \$24.8 billion surpassed the total before the crisis. The represented growth of 47.8% which is the highest since 2007. However intra ASEAN equity investment as a percentage of total equity investment (which is an indicator of regional integration) has remained a flat line and only seen marginal improvement in 2010. In fact the percentage of total intra ASEAN investment of 11% in 2010 is still lower than the percentage pre crisis in 2006. So while total portfolio investments are increasing, more investments are flowing outside of ASEAN than within its member countries. The challenge therefore faced by ASEAN member countries is three-fold, first to develop their respective capital markets in a way that does not impede integration, second to complete integration initiatives based on the Implementation Plan more broadly with the involvement of more countries and third to strategize on deeper integration post 2015. All this requires better coordination between national capital market initiatives and the ASEAN regional agenda.

Impact A deeper integrated ASEAN capital market

Project Outcome

Description of Outcome Completed initiatives in Implementation Plan with wider participation of ASEAN members

Progress Toward Outcome

Implementation Progress

Description of Project Outputs Sustainable implementation of selected initiatives in Implementation Plan
Completion of integration requirement that enables wider participation
Improved capacities of CLMV regulators in a structured manner
Defined process and initiatives for deeper integration post 2015

Status of Implementation Progress (Outputs, Activities, and Issues) No objection received from ASEAN capital market regulators during the ACMF meeting on 2 September. Engagement of the various consultants will be begin based on priority of ACMF. The ASEAN Corporate Governance Conference and Award will be held in Manila on 14 November and partially supported by the TA.

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design This proposed TA builds upon outputs of the previous TA and should be seen as a continuation of ADB support ASEAN regional capital market integration. ADB's support in regional ASEAN capital market integration started in 2005 through the technical assistance on Supporting Enhance Cooperation Among Southeast Asian Equity Markets. ADB's TA in 2008 supported the development of the Implementation Plan which was an important milestone for ASEAN capital market integration. In 2010, ADB approved the TA on Promoting an Interlinked ASEAN capital market which began supporting ACMF members to implement specific initiatives of the Implementation Plan. That TA played an important role in several tangible outputs including: (i) the ASEAN corporate governance scorecard; (ii) ASEAN trading link between Malaysia, Singapore and Thailand ; and (iii) regulator to regulator training and secondment program. Although ADB's support in the cross border dispute resolution and enforcement mechanism although has not reached a conclusive point, it was catalytic in moving the process forward. Lessons learned from implementation of previous TAs including: (i) outputs should take into account realistic expectations of the capacities of the authorities; (ii) a more structured capacity building program for CLMV regulators based on best practices within ASEAN; and (iii) the importance of more robust engagement with private sector are incorporated.

During Project Implementation

Proposed EA is ADB managed by SERD in coordination with OREI. SEPF will lead implementation of TA with discussion and support from SERC especially where there is involvement of the ASEAN Secretariat. SEPF will also coordinate with OREI who is involved with ASEAN central banking integration to ensure a consistent approach overall. Members of ACMF and the ASEAN stock exchanges will be implementing agencies. ACMF will act as the coordinating body for all components. An implementation diagram is included in appendix 5. Proceeds of the TA will be disbursed in accordance with Technical Assistance Disbursement Handbook (2010 as amended from time to time). Estimated period of implementation is from 1 November 2014 to 31 October 2017.

TA implementation will be monitored and evaluated through review missions especially attendance at ACMF and working group meetings, engagement with regulators and consultation with private sector associations. The ASEAN capital market scorecard will also be used as an important reference to reflect on completion of initiatives under the Implementation Plan. Finally desk research will be conducted analyzing data on regional integration. Lessons learned and best practices will be disseminated through workshops and international conferences. The TA will support publication of the ASEAN Corporate Governance Scorecard Reports which will highlight corporate governance best practices in ASEAN.

Business Opportunities

Consulting Services The consultants will be engaged by ADB in accordance with the Guidelines on the Use of Consultants (2013, as amended from time to time).

Responsible Staff

Responsible ADB Officer	Mohd Ismail, Mohd Sani
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SERD
Executing Agencies	<i>Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines</i>

Timetable

Concept Clearance	22 Aug 2014
Fact Finding	27 Oct 2014 to 30 Oct 2014
MRM	-
Approval	11 Jun 2015
Last Review Mission	-
Last PDS Update	25 Sep 2015

TA 8905-REG

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
11 Jun 2015	-	11 Jun 2015	31 Dec 2017	-	-

Financing Plan/TA Utilization							Cumulative Disbursements	
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
0.00	1,500,000.00	0.00	0.00	0.00	0.00	1,500,000.00	11 Jun 2015	456,414.64

Project Page	https://www.adb.org/projects/48143-001/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=48143-001
Date Generated	06 July 2017

assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.