

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Bangladesh	Program Title:	Third Capital Market Development Program
Lending/Financing Modality:	Policy-Based	Department/ Division:	South Asia Department Public Management, Financial Sector and Trade Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY
Poverty targeting: General intervention
A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy
<p>Bangladesh has made good progress in reducing poverty since 2005 despite a series of external shocks. The project supports poverty reduction goals of the Government of Bangladesh and the Asian Development Bank (ADB).</p> <p>With economic growth, Bangladesh reduced poverty from 40.0% to 31.5% from 2005 to 2010. Rural poverty declined to 35.2% in 2010 from 43.8% in 2005, while urban poverty fell to 21.3% from 28.4% in the same period. Bangladesh's Sixth Five-Year Plan, 2011–2015 focuses on accelerating the growth rate of the economy as a “prerequisite for rapid reduction of poverty” by substantially boosting private sector investment.^a It is estimated that 77.2% of the investment requirements under the plan will stem from the private sector. The plan recognizes the important role of capital markets in raising funds cost-effectively and in enabling investors to gain access to alternative investment opportunities, and the substantial negative impact of financial market instability on the poor. Diversification away from a predominantly bank-based system of financial intermediation expands alternative sources of credit, helping to limit the systemic impacts of economic shocks. The plan appreciates that capital markets can stimulate healthy competition with the banking sector, which under most circumstances results in lower financing costs for all borrowers.</p> <p>ADB's country partnership strategy, 2011–2015 for Bangladesh is aligned with the government's long-term development agenda and prioritization of private sector development to accelerate economic growth.^b Developing domestic bond markets and the financial sector is a necessary condition for private sector investment. Bangladesh's finance sector is dominated by commercial banks that are unable to finance the investments the country requires. The program will support the government's efforts to make finance and capital markets more efficient, and hence help catalyze the private sector investments necessary for economic growth such that it provides the foundations for sustainable productive employment and incomes for the growing Bangladeshi labor force. ADB's financial sector strategy for Bangladesh, which is included in the new country operations business plan, is based on the country's Sixth Five-Year Plan and lessons from ADB's previous financial sector interventions.^c</p>
B. Results from the Poverty and Social Analysis during PPTA or Due Diligence
<ol style="list-style-type: none"> 1. Key poverty and social issues. The program emphasizes specific capital market reforms to help Bangladesh diversify its financial system so that the country can realize its broad-based economic growth and socioeconomic development objectives—including poverty reduction. 2. Beneficiaries. The poor and socially marginalized groups, such as women, suffer the most from stagnant or declining growth rates since female-led households are usually poorer, have fewer savings, and are the first ones to be laid off in economic crises because they often occupy low skilled positions. By catalyzing private sector investment, economic growth, and job creation, the program indirectly addresses their constraints. 3. Impact channels. The direct and indirect impact channels through which the poor and vulnerable groups will benefit from the program include catalyzing private sector investment, which will generate economic growth and spur job creation. 4. Design features. The capital market reforms of the program will play an important role in raising funds cost-effectively and in enabling investors to gain access to alternative investment opportunities, as well as mitigating the negative impact of financial market instability on the poor. Diversification away from a predominantly bank-based system of financial intermediation expands alternative sources of credit, helping to limit the systemic impacts of economic shocks. Capital markets can stimulate healthy competition with the banking sector, which under most circumstances results in lower financing costs for all borrowers.

C. Poverty Impact Analysis for Policy-Based Lending									
<p>1. Impact channels of the policy reforms. The direct and indirect impact channels through which the poor and vulnerable groups will benefit from the program include catalyzing private sector investment, which will generate economic growth and spur job creation.</p> <p>2. Impacts of policy reforms on vulnerable groups. The policy reforms will not impact vulnerable groups.</p> <p>3. Systemic changes expected from policy reforms. The program emphasizes specific capital market reforms to help Bangladesh diversify its financial system so that it can realize its broad-based economic growth and socioeconomic development objectives—including poverty reduction.</p>									
II. PARTICIPATION AND EMPOWERING THE POOR									
<p>1. Participatory approaches and project activities. During program preparation, several stakeholder meetings took place to incorporate all points of views in designing the proposed policy reforms.</p> <p>2. The following forms of civil society organization participation are envisaged during project implementation, rated as high (H), medium (M), low (L), or not applicable (NA): L <input checked="" type="checkbox"/> Information gathering and sharing <input checked="" type="checkbox"/> Consultation <input type="checkbox"/> Collaboration <input type="checkbox"/> Partnership</p> <p>3. Participation plan. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>No participation plan was prepared because the program will have no impact on the environment and will not require resettlement or affect indigenous populations.</p>									
III. GENDER AND DEVELOPMENT									
Gender mainstreaming category: No gender elements									
A. Key issues. All individuals will benefit indirectly from the program because private sector investment will spur higher economic growth and create employment opportunities.									
B. Key actions.									
<input type="checkbox"/> Gender action plan <input type="checkbox"/> Other actions or measures <input checked="" type="checkbox"/> No action or measure									
<p>The development of capital markets is likely to provide indirect benefits to all individuals by opening opportunities in accessing markets and financial resources. No adverse impacts on women are expected. Efforts will be made to the extent possible to recruit a fair share of qualified women among the additional full-time staff to be recruited for the Bangladesh Securities and Exchange Commission and the Insurance Development and Regulatory Authority, and to integrate a gender perspective into the life insurance policy.</p>									
IV. ADDRESSING SOCIAL SAFEGUARD ISSUES									
A. Involuntary Resettlement	Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI								
<p>1. Key impacts. No impact.</p> <p>2. Strategy to address the impacts. No strategy required.</p> <p>3. Plan or other Actions.</p> <table border="0"> <tr> <td><input type="checkbox"/> Resettlement plan</td> <td><input type="checkbox"/> Combined resettlement and indigenous peoples plan</td> </tr> <tr> <td><input type="checkbox"/> Resettlement framework</td> <td><input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</td> </tr> <tr> <td><input type="checkbox"/> Environmental and social management system arrangement</td> <td><input type="checkbox"/> Social impact matrix</td> </tr> <tr> <td><input checked="" type="checkbox"/> No action</td> <td></td> </tr> </table>		<input type="checkbox"/> Resettlement plan	<input type="checkbox"/> Combined resettlement and indigenous peoples plan	<input type="checkbox"/> Resettlement framework	<input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework	<input type="checkbox"/> Environmental and social management system arrangement	<input type="checkbox"/> Social impact matrix	<input checked="" type="checkbox"/> No action	
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<input checked="" type="checkbox"/> No action									

<p>B. Indigenous Peoples</p> <p>1. Key impacts. No impact. Is broad community support triggered? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>2. Strategy to address the impacts. No strategy required.</p> <p>3. Plan or other actions.</p> <p><input type="checkbox"/> Indigenous peoples plan <input type="checkbox"/> Combined resettlement plan and indigenous peoples plan</p> <p><input type="checkbox"/> Indigenous peoples planning framework <input type="checkbox"/> Combined resettlement framework and indigenous peoples planning framework</p> <p><input type="checkbox"/> Environmental and social management system arrangement <input type="checkbox"/> Indigenous peoples plan elements integrated in project with a summary</p> <p><input type="checkbox"/> Social impact matrix</p> <p><input checked="" type="checkbox"/> No action</p>	<p>Safeguard Category: <input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI</p>
V. ADDRESSING OTHER SOCIAL RISKS	
<p>A. Risks in the Labor Market</p> <p>1. Relevance of the project for the country's or region's or sector's labor market, indicated as high (H), medium (M), and low or not significant (L). M</p> <p><input checked="" type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input type="checkbox"/> retrenchment <input type="checkbox"/> core labor standards</p> <p>2. Labor market impact. The program is geared to facilitate private sector development, which will spur higher economic growth. As a result, the labor market will be positively impacted by jobs created as a result of higher economic growth.</p>	
<p>B. Affordability</p> <p>Affordability issues arising from disadvantageous pricing of goods and services are not applicable to this program. Possible exclusion of people as a result of price mechanisms is not relevant to this program, which is geared to facilitate private sector development that will spur higher economic growth and create jobs.</p>	
<p>C. Communicable Diseases and Other Social Risks</p> <p>1. The impact of the following risks are rated as high (H), medium (M), low (L), or not applicable (NA): N/A</p> <p><input type="checkbox"/> Communicable diseases <input type="checkbox"/> Human trafficking</p> <p><input type="checkbox"/> Others (please specify) _____</p> <p>2. Risks to people in project area. N/A</p>	
VI. MONITORING AND EVALUATION	
<p>Since the main benefits of the program on gender and social development activities are expected to be indirect, no social indicators have been included in the design and monitoring framework.</p>	

^a Government of Bangladesh, Planning Commission, Ministry of Planning. 2011. *Sixth Five-Year Plan: FY2011–FY2015*. Dhaka.

^b ADB. 2011. *Bangladesh: Country Partnership Strategy, 2011–2015*. Manila.

^c ADB. 2014. *Bangladesh: Country Operations Business Plan, 2015–2017*. Manila.

Source: Asian Development Bank.