

<b>Project title</b>	<b>Capital Market Modernization Project (CMMP)</b>
<b>General information</b>	Region: Azerbaijan Duration: 2011 to 2015 Budget: USD 15.8 million (World Bank: USD 12 million; SECO: USD 1.6 million; Government of Azerbaijan: USD 2.2 million)
<b>Project partners</b>	<ul style="list-style-type: none"> <li>• Institutional partner: State Committee for Securities (SCS)</li> <li>• Implementing partner: World Bank</li> </ul>
<b>Project objectives</b>	The objective of the project is to strengthen the financial sector and improve access to finance for the non-oil private sector through improving the capital market regulatory framework and increasing the use of capital market instruments.
<b>Background</b>	<p>A transparent and well developed financial sector with greater opportunities for sustainable and diverse sources of funding is crucial for developing a vibrant and diversified non-oil private sector and attracting foreign non-oil investments. Despite some positive developments in the past, Azerbaijan's capital market remains shallow. The capital market is suffering from several deficiencies such as a fragmented regulatory environment, outdated market infrastructure, lack of a transparent trading mechanism and low awareness of capital market instruments.</p> <p>The project consists of four components: i) streamlining and updating market infrastructure, ii) reforms to the legal and regulatory framework, iii) enhancing the range of capital market instruments, and awareness and iv) capacity building of regulators and market participants. The project is part of the Financial Sector Modernization Program.</p>
<b>Project activities</b>	<p>The following activities are carried out under the project:</p> <ul style="list-style-type: none"> <li>• Strengthening and automating the market infrastructure: establish single central independent national depository, increase automation, establish market guarantee mechanisms</li> <li>• Updating and strengthening the legal and regulatory framework: review and adopt a new capital market act, draft implementing regulations, redefine categories of licenses, introduce appropriate capital market adequacy and risk assessment methods</li> <li>• Enhancing the range of capital market instruments and services: create appropriate environment for listing, develop government securities market, corporate education, develop new products (exchange traded funds, asset-backed securities, real estate investment funds)</li> <li>• Capacity building for market participants and regulators: internal capacity of SCS, public awareness and outreach and professional education</li> </ul>
<b>Project results</b>	<p>The following results are expected:</p> <ul style="list-style-type: none"> <li>• Increased issuance of corporate bonds and government securities</li> <li>• Increased number of listed companies</li> <li>• Improved price transparency</li> <li>• Increased variety of financial products available</li> </ul>