Final Report

The Financial Sector Reform and Strengthening Initiative (FIRST): Phase II Evaluation

Development Portfolio Management Group

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USC University of Southern California

Preface

This report provides findings from an evaluation of the Financial Sector Reform and Strengthening Initiative's (FIRST) Phase II activities. This evaluation was undertaken by the University of Southern California's Development Portfolio Management Group (DPMG).

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The team would like to thank World Bank, International Monetary Fund, and FIRST staff, especially Hanh Le and Jorge Patino for their help and support in the conduct of this evaluation.

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Acronyms and Abbreviations

ACS	Activity Completion Summary
AfDB	African Development Bank
AFSA	Albanian Financial Supervisory Authority
BAFIA	Bank and Financial Institutions Act
BB	Bangladesh Bank
BSD	Banking Supervision Department, National Bank of Rwanda
BSE	Baku Stock Exchange
CBA	Central Bank of Azerbaijan
CCP	Central Counterparty
CMF	Crisis Management Fund
CSE	Colombo Stock Exchange
CSE	Crisis Simulation Exercise
DFID	Department for International Development, U.K.
DGF	Deposit Guarantee Fund
DPMG	Development Portfolio Management Group
EBRD	European Bank for Reconstruction and Development
FIM	Financial Institutions and Markets
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
FSDP	Financial Sector Development Plan
FSDS	Financial Sector Development Strategy
FSS	Financial Services Superintendency
FSSA	Financial System Stability Assessment
FY	Fiscal Year
GC	Governing Council
GRM	Grant Reporting and Monitoring
IAD	Internal Audit Department
IFC	International Finance Corporation
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
LIC	Low Income Country
M&E	Monitoring and Evaluation
MIC	Middle Income Country
MoF	Ministry of Finance
MTPL	Motor Third Party Liability
MTR	Mid-Term Review
NAMFISA	Namibia Financial Institutions Supervisory Authority
NBFI	Non-Bank Financial Institutions
NBR	National Bank of Rwanda
NDC	National Depository Centre (Azerbaijan)
NRB	Nepal Rastra Bank
NRBA	Nepal Rastra Bank Act
NSE	Nigeria Stock Exchange
PAC	Project Approval Committee
PBRM	Problem Bank Resolution Manual
PCA	Prompt Corrective Action
PCR	Project Completion Report
PDIC	Philippines Deposit Insurance Corporation
PMU	Project Management Unit
ROSC	Report on Standards and Codes
SACCO	Savings and Credit Cooperative
SEC	Securities and Exchange Commission
SMEs	Small and medium enterprises
SRRF	Systemic Risk Response Framework
TA	Technical Assistance
TL	Team Leader
ToR	Terms of Reference
TTL	Task Team Leader
USC	University of Southern California
WB	World Bank

Executive Summary

Background

1. In the five years prior to the financial crisis of 2008-2010 the World Bank made five loans per year in the financial sector. In the last five years the number of new loans has more than doubled to 12 per year on average. Even at the current rate a country which is an active borrower from the Bank can expect to receive one new loan to the financial sector every five years. The Bank is far more active in the field of technical assistance (TA) with roughly 180 new operations per year. On the country level that averages to about three projects per year of which one will be FIRST financed. Today the interface of the Bank and the clients is much more in the form of TA than loans.

2. Technical assistance to the financial sector has grown rapidly in the last decade from a variety of donors. TA provided by the World Bank has doubled in that period. It has risen even faster in the International Finance Corporation (IFC) and the International Monetary Fund (IMF). It is not possible to isolate exactly the amount, but the team's best estimate is that the Financial Sector Reform and Strengthening Initiative (FIRST) funds one-third of Bank-executed TA projects in the financial sector. Almost alone among donors, FIRST funds a broad range of TA including planning studies, legal assistance, and institution building. Both task team leaders (TTLs) and clients report that finding alternative sources for the projects funded by FIRST would be almost impossible. Without FIRST's support the World Bank could not carry out the volume and range of technical assistance it now provides.

3. The evaluation objectives were defined in the initial Terms of Reference (ToRs) presented in Annex I, refined in the proposal submitted by the Development Portfolio Management Group (DPMG) and finalized in the January 2014 Inception Report. The evaluation focused on: i) the extent to which Phase II projects and program achieved their objectives; ii) the relevance of FIRST projects and the quality of their outputs; iii) the complementarity of FIRST activities with that of other donors; and iv) FIRST operational effectiveness and utilization of funds.

4. The review team analyzed in some depth 29 projects grouped into a country study (Rwanda), a sub-sector study (Capital Markets), and a project type study (Financial Sector Development Strategies). In addition, the team selected 15 projects in a purposeful sample to represent other FIRST-funded projects. It also conducted an analysis of FIRST as an operating agency, conducted numerous interviews of Bank, IMF, FIRST staff and Governing Council members and surveyed Bank staff and recent Bank-FIRST clients.

Findings

5. FIRST-funded projects are successful in delivering high quality outputs. The executing agencies were able to find highly qualified consultants to produce development strategies, draft new laws and regulations, provide institutional assistance, and run crisis simulation exercises. The projects were well designed, the outputs were of high quality, and the recommendations were appropriate. Some projects were delayed because of either glitches during the approval process or delays in finding good consultants, but most projects were completed on time and on budget. Most of the projects reviewed were strategically relevant.

6. There was not the same high level of success in moving from outputs to outcomes and from outcomes to impact. While there are a significant number of projects in which impact has already materialized or is likely to materialize soon, there are others for which implementation is delayed and a few for which implementation is unlikely either because of a lack of consensus within the countries concerned or because additional technical assistance is needed. What follows is a brief summary of the most relevant findings. It should be noted that execution of projects is in the hands of the World Bank and IMF. FIRST itself may not be able to resolve all the issues outlined below.

Project Issues

7. ***Rwanda****:* Over Phase I and II, FIRST has funded ten projects in Rwanda. Two of the projects were Financial Sector Development Strategies (FSDS) and followed upon and elaborated the developmental aspects of two Financial Sector Assessment Programs (FSAPs). Of the eight operational projects, the three funded in Phase I were not successful. Those funded in Phase II had much better outcomes. Over the past decade the Rwandan financial system has become stronger, more diversified, stable, and inclusive. FIRST projects have contributed in a substantial way to that outcome. The projects for the most part were designed to strengthen regulation and supervision of various aspects of the financial sector at the National Bank of Rwanda (NBR). The concentration of TA support in Rwanda in the field of regulation and supervision turned the individual grants into a more coherent program, making the whole something more than the sum of the individual parts. The focus on financial regulation and supervision will continue in the Phase III programmatic grant.

Training of National Bank staff was an important component of several of the projects. However, the National Bank has in the past had difficulty retaining trained staff because salary levels were not competitive. Much of the impact of the projects will be lost if those trained leave. Where the policies and labor practices of the client may be central to a project's longer term success, it should be considered as part of any training program. Regrettably, these policies were not part of the program in Rwanda. More generally with projects for which the objective is institution building, it is important to understand why the institution is weak. Changing policies may be as important as training to build stronger institutions.

8. ***Capital Markets Projects****:* Assistance by FIRST for the development of local capital markets has been extensive. Thirty seven projects were financed during Phase II for a total commitment of approximately $5.5 million. On a technical level the five projects reviewed were well designed and the outputs were of high quality, but some of the outcomes and impact are more uneven. .

9. In Morocco, the project drafted legislation needed to introduce covered bonds, which was subsequently enacted. While none have been issued to date, it is reported that several Banks are considering issuing covered bonds in 2014. In Azerbaijan, assistance was provided to strengthen the Baku Stock Exchange; the report served as a basis for a World Bank loan of $13 million to hire experts to implement the report's recommendations. The Baku Stock Exchange has become more liquid, transparent and efficient but remains small trading only government bonds, a few corporate bonds and one equity. Even with this successful project, the impact on the economy will be limited by the small size of the capital market.

10. The Belarus Capital Markets Development project produced sensible draft laws to improve the regulation, supervision and development of the securities market. However, the legislation has not yet been presented to parliament due to lack of priority in the minds of the local authorities. Given that the FSAP had listed the improvement of the Belarus capital markets as a "low priority," it is questionable whether this project should have been proposed or funded. In the Nigerian case, a framework for "demutualization" of the Nigerian Stock Exchange was prepared and legislation provided to facilitate the oversight and monitoring of the capital markets. The stock exchange has only very recently begun the process of "demutualization" but no law has been passed. In Sri Lanka, the project was designed to assist the local Securities and Exchange Commission (SEC) reform the legal framework for regulation and supervision of the securities market. The likely impact is difficult to assess as the legislation prepared has not been passed, as internal political forces are delaying the implementation process, and demutualization of the stock exchange has not yet been achieved.

11. All of these projects were eligible for support. However, for small low income countries, the World Bank and FIRST need to consider suitability and timing as well as eligibility. As evidenced by the Belarus Capital Markets Development project, activities rated as having low priority by an FSAP are likely to be given low priority by the government. In several of the countries important stakeholders were not committed to the projects, which negatively affected outcomes. The review finds the impact of the five capital markets projects was uneven; however, the sample size is too small to permit generalizations. Perhaps a wider review of capital markets projects is needed.

12. ***Financial Sector Development Strategies****:* During Phase II FIRST funded 22 Financial Sector Development Strategies (FSDS) in 19 countries at a cost of US$6 million. All but two of the FSDS were in the Africa region. The FSDS elaborated on the FSAP recommendations adding considerable detail, specifying priorities, providing a time-line for reform and identifying agencies responsible for action. The technical quality of the FSDSs reviewed was satisfactory with findings that were timely and relevant. In most cases the FSDS was disseminated to and discussed with other donors, who pledged support for TA in particular areas. The implementation of the recommendations in the FSDS varied depending upon a country's capacity and the degree to which further donor support was available. It also depended on ownership; in countries in which there had been extensive interaction with a national team during the preparation phase, there was greater implementation.

13. There are also design issues. With most of the FSDS the recommendations were very detailed; in one case there was 442 separate recommendations; in another 32 pages of recommendations. Given the limited capacity of the countries to determine priorities and implement change, a fewer, better prioritized set of recommendations would seem more appropriate. In some cases the FSDS recommendations covered a ten year period; a time horizon of five years would seem more appropriate given the rapidity with which financial sector issues change.

14. In the future, the IMF is likely to focus its preparation of FSAPs on countries whose financial systems are of systemic importance. Fewer resources will be available to prepare FSAPs for smaller countries. In lieu of FSAPs for these non-industrial countries, FIRST is likely to be asked to fund more FSDS. It will be useful to have these FSDS both to provide the countries with strategic roadmaps for financial development and to identify for the donors the areas in need of technical assistance.

15. ***Other projects reviewed***: Fifteen projects were reviewed in detail. There were three in Banking, two in Insurance, four each in Financial Stability and Financial Infrastructure, and two were Housing and Multi-sectors projects.

16. The likelihood of impact of these projects was mixed with some projects showing good potential (Azerbaijan-Operationalizing Systemic Risk Response Framework, Costa Rica-Crisis Simulation Exercise, Ukraine-Planning and implementing Bank Resolution at the Deposit Guarantee Fund, Kyrgyz Republic-Improve Bulk Clearing System and India, providing expanded access to housing finance for low income families). However others did not, either because the agencies involved seemed to lack the capacity to optimally utilize the outputs produced (Nepal-Problem Bank Resolution and Bangladesh-Contingency Plan) or because additional technical assistance was needed to proceed with implementing the recommendations (Albania-Assistance in Implementing a Risk-based Insurance Pricing System and Vietnam-Improving Banking System Efficiency). This raises a question about whether some of the activities funded were of the highest priority.

17. In general, good to excellent outputs were produced by the consultants in conjunction with Bank and IMF staff and with the collaboration of staff from local agencies. For example, the few crisis preparedness exercises reviewed and documentation needed for such exercises were well prepared and the simulations were carried out smoothly. Also, outputs produced under the Ukraine, Kyrgyz Republic and India projects were considered to be of high quality.

Operational Issues

18. ***Implementation:*** With FIRST-funded projects as with technical assistance in general, implementation of recommended changes has been the weak link in the results chain. Implementation of operational TA (as distinct from development strategies) lags for many reasons, but the two most important are lack of consensus on reform and lack of knowledge and capacity to implement the recommendations. Better selectivity at the inception stage may help with the first and additional TA support after project completion may help with the second. The new programmatic grants covering up to three years of assistance will build implementation into the project itself.

19. At least half of FIRST funding in Phase III will continue to be for the catalytic projects. As in the past catalytic grants are designed to end with the completion of the consultant's activities. TTLs state they lack the resources, access, leverage and even incentive to carry projects into the implementation phase. FIRST has made clear its willingness to fund follow-on implementation activities for operational TA projects through additional catalytic grants. This could be done in a number of ways; probably the most straight forward approach would be to offer small grants to finance further project implementation. Based on issues identified in the project completion report, proposals could be approved quickly by the program manager on the basis of a very simple proposal and client letter of need. Such grants would be for no more than twelve months' additional support and would be specifically for implementation of an already completed FIRST-funded operational project.

20. ***Monitoring, Evaluation, and Targets:*** In Phase III, FIRST is implementing sophisticated monitoring and evaluation (M&E) procedures for both its programmatic and catalytic projects. To be truly useful, M&E systems must be designed to feed ex-post facts into the design, estimation of probably success and selection of projects ex-ante. Experience shows that target setting and M&E procedures can have negative as well as positive outcomes if the measures are unrealistic or are inconsistent with the time frame for measurement. Only so much can be accomplished in the six months following a project's closure, when the M&E review will take place. And longer run outcomes are dependent on many things other than the TA project funded by FIRST. Targets set for programmatic grants differ significantly from targets set for FIRST. FIRST has a high degree of control over the allocation of funds, hence the probability that it will meet the donors' target. A task team leader has much less control over the outcome/impact of a TA project three to five years down the line. At the project design stage, results are uncertain and the further out the time horizon the greater the uncertainty. Impact may be measureable ex-post, but when used as selection criteria hard targets are both difficult to interpret and difficult to use as eligibility criteria. Targets should be considered as indicators of intent ex-ante and criteria against which results would be assessed ex-post.

21. ***Data Management:*** Lack of complete project files complicated the job of project evaluation for this review. This problem will become much more important in the future as FIRST attempts to use its M&E framework to support project implementation. The information collected in M&E will need to be combined with the TTLs' and the clients' completion reports to build a feedback loop that will feed into project design and approval. For this FIRST must improve its systems for information gathering, filing, retrieval and analysis. Errors in project classification as well poor reliability of existing project data will also need to be addressed by FIRST.

22. ***Grant Processing*:** Donors have encouraged FIRST to follow best practice with regard both to project preparation and review. The stringent content demands and repeated reviews result in projects that are well specified, though subject to the issues noted above. However, TTLs consider the approval process slow, cumbersome, and demanding of their time. Depending on its size, a proposal will go through from six to eight reviews before approval and a TTL could be asked to revise the proposal as many as five times. On average, project approval has taken more than six months, though approval has been somewhat quicker in Phase III.

23. Best practice should take cost (efficiency) into consideration. At $5,000 per staff week, the cost of project preparation and review quickly mounts and can become large relative to grant size. Some stages in the review process could be conducted possibly in parallel rather than sequentially, thus reducing the number of revisions required of the TTL. The steps in the approval chain might be reduced for some projects by increasing the size of projects that the program manager could approve. In summary, FIRST needs to review the approval process with the objective of reducing both the overall approval time and the man-months involved with project processing.

24. ***Additionality.*** The review found significant evidence of complementarity between FIRST and other donor activities. The review also noted that considerable inter-action was taking place between FIRST-funded projects and other donors. Both the surveys as well as TTL interviews indicated that finding alternatives sources of funding for the projects financed by FIRST would be very difficult since FIRST was almost alone among donors to fund a broad range of TA for financial development including planning studies, legal assistance and institution building. Clients in particular stated that for general analytic studies and the more technical areas of law, regulation, and accounting, FIRST was the "best and sometimes only" source of funding.

25. ***Operational Effectiveness****:* The overall objective of a stable, inclusive, efficient financial system is shared by the World Bank, IMF, the donors who fund FIRST and the clients. But at a more granular level there can be differences between the donors and the executing agencies. These small but important differences seem minor when viewed within the overall context of the program's objectives, but they are more substantial at the operational level with regard to such issues as project eligibility for FIRST financing, grant proposal requirements and review procedures, FIRST's input into project design, the fraction of grants that can be used to fund Bank staff time, techniques for monitoring and evaluation, project completion requirements, etc.

26. Possibly the most important issue is the extent of FIRST's responsibility for project design. As it does with the its support of IMF projects is the role of FIRST simply to set eligibility criteria, leaving all aspects of project design to Bank staff considered to have both the country knowledge and technical expertise? The business model which the donors choose for FIRST should depend in part upon their views of whether the Bank has put in place appropriate measures and procedures for quality control of both the TA projects funded out of its own budget and those funded from trust funds. If the donors are satisfied with the Bank's procedures for TA selection, design, execution, monitoring and evaluation, a business model with FIRST more integrated with the Bank's activity seems appropriate. But if the donors find a need for a degree of control that goes beyond simply determining whether projects meet eligibility criteria, then, for operational effectiveness, FIRST will require its own staff and the ability to maintain some independence from World Bank control.

Chapter I: Introduction

A. Methodology of the Review

1.1. The Financial Sector Reform and Strengthening Initiative's (FIRST) mandate is to support the development of financial systems through technical assistance grants. This review covers the 349 FIRST-financed activities in Phase II, of which 135 were covered by the Mid-Term Review and 129 were approved during 2011 and 2012[1]. To inform the review for the three case studies, projects that were approved or completed in Phase II were examined.[2] Where relevant, the findings of this evaluation are compared to those of the Mid-Term Review conducted in 2011.[3]

1.2. Based on the Terms of Reference for this review (see Annex I) as refined in the proposal submitted by the Development Portfolio Management Group and finalized in the January 2014 Inception Report, this evaluation makes an independent assessment and validation of:

i. **Achievement of project and program development objectives**. To which extent have phase II projects achieved the outputs, outcomes and impact foreseen? Did FIRST contribute to the goal of more stable, more efficient and more inclusive financial systems? Has FIRST been successful in catalyzing further reforms?

ii. **Relevance and output quality**. Has FIRST been demand-driven and responsive to clients' requests? Has FIRST technical assistance been technically adequate solutions to the problems faced by its client?

iii. **Additionality.** Has FIRST been consistent and complementary with other donors' activities?

iv. **Operational effectiveness and fund utilization**. How well does the current project management and governance work? What areas need improvement? How does FIRST's efficiency rate compared to that of other donors? What could be done to increase FIRST's efficiency?

v. **Lessons learnt and knowledge management.** What worked well, what should be done differently, what are the critical factors that make FIRST successful and what policy questions have emerged from the review?

1.3. By agreement of the donors and FIRST management, this review has looked at the record, not so much to rate past performance, but to make recommendations for future activity. The questions that have implicitly guided this evaluation have been about possible changes that would make the processes work faster and smoother in the relationships between FIRST, the executing agencies (Bank and IMF) and the clients, how to improve the benefit to cost ratio, and ultimately how to further implementation and improve outcomes.

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[1] The total number of Phase II grants (349) is higher than the sum of the projects reviewed for the Mid-Term Review (135) and the projects that were active in 2011 and 2012 (129) due to Phase I rollover grants that were not reviewed in the Mid-Term Review but are counted as Phase II projects.

[2] One project used in a case study has not yet been completed. See Chapter 2.

[3] The Mid-Term Review covered all 135 Phase II grants approved between March 2007 and December 2010. Its case studies focused on the 40 Phase II grants that had been completed by June 30, 2010. See "FIRST Evaluation Phase II, May 25, 2011."

1.4. To arrive at recommendations, this review attempted to ascertain how well FIRST's activities during the last two years have been aligned with its charter in terms of focus and targets, to evaluate proposals in terms of concepts, to assess deliverables and consultants' performance, and to assess FIRST procedures as they related both to the executing agencies and to the clients.

1.5. This report is based on an in-depth review of 29 projects, the preparation of three case studies, two surveys, 40 personal interviews, and analysis of FIRST reports and data. The description of FIRST's accomplishments in the last two years is presented in this chapter. More detailed tables are presented in Annex II. Chapter II is devoted to the three case studies, namely projects executed in Rwanda, on capital markets, and Financial Sector Development Strategies (FSPS), and also discusses findings concerning the in-depth review of 15 additional projects. Annex IV presents a summary table of aggregate project ratings for the dimensions used to rate the 29 projects reviewed. The analysis of FIRST as an operating entity appears in Chapter III. The results of the surveys based on the responses of both clients and task team leaders (TTLs) are reviewed in Chapter IV. The surveys, a statistical compilation of the responses and selected quotations from the clients and TTLs are presented in Annex V. Findings and recommendations are summarized in Chapter V. As part of this review, personal interviews with clients, Bank and IMF staff, FIRST staff, members of the Governing Council and other assistance agencies were conducted. The list of individuals interviewed can be found in Annex VI. Insights gleaned from these interviews inform the entire report.

B. FIRST Commitments

1.6. In addition to the overall objective of promoting financial development, by its charter FIRST places emphasis on low income countries, on the Africa region, and on projects that support the implementation of recommendations made in Financial Sector Assessment Programs (FSAPs) and Financial System Stability Assessments (FSSAs). This chapter presents an overview in numbers of FIRST's accomplishment of these objectives, divided, when data is available, into four periods:

i. Phase I (2002-2006);[4]

ii. Phase II years covered by the Mid-Term Review (2007-2010); [5]

iii. Phase II active grants in 2011-2012;[6] and

iv. Phase II total.[7]

1.7. The reader should bear in mind that the periods are not of equal length: Phase I was four years long, whereas Phase II covered six years with the data divided into a four-year period and a two-year period.

1.8. Table 1 presents the average annual rate of commitments for the three periods by executing agency. Comparing Phase I with Phase II, the number of active grants fell from an annual rate of 59 new projects per year to 34 per year in the first four years of Phase II, but then rebounded in the most recent two-year period to 64 new projects each year. The same pattern holds for commitments by value, a decline in value from almost $10 million per year in Phase I, to $7.5 million per year in the first part of

[4] All 235 Phase I grants.

[5] All 135 Phase II grants approved between March 2007 and December 2010.

[6] All 129 active Phase II grants in 2011 and 2012.

[7] All 349 Phase II grants. Please note that the total number of Phase II grants (349) is higher than the sum of the projects reviewed for the Mid-Term Review (135) and the projects that were active in 2011 and 2012 (129) due to Phase I rollover grants that were not reviewed in the Mid-Term Review but are counted as Phase II projects. As a result, the breakdowns for Phase II provided in the tables in this chapter and Annex II will not equal Phase II total.

Phase II, and then a rapid increase in commitments to almost $14.3 million per year in the last two years, roughly double what it had been in the earlier years of Phase II. By executing agency, the division of projects by number between the Bank and IMF has remained the same, but on an annual basis, Bank commitments by value have increased somewhat more rapidly than IMF activity in the last two years.

Table 1: Average Annual Commitments by Number and Value by Phase and Executing Agency[8],[9]

	Bank-Executed		IMF-executed		Total	
	# of Grants	Commitment (US$m)	# of Grants	Commitment (US$m)	# of Grants	Commitment (US$m)
Phase I[10]	NA	NA	NA	NA	59	9.78
Phase II (MTR)	27	5.96	7	1.52	34	7.48
Phase II (Post-MTR)	52	11.90	13	2.43	64	14.33
Phase II (Total)	49	8.72	9	1.73	58	10.45

1.9. ***Low and Middle Income Countries:*** Table 2 presents information about the number and value of FIRST grants to low income countries (LICs), middle income countries (MICs), and blend across the three periods**.** Table 2 shows that FIRST has continued in the last two years to allocate over 60 percent of its resources to low income countries.

Table 2: Active Grants by Number and Value to LICs and MICs by Period

	Phase I			Phase II (MTR)			Phase II (Post-MTR)			Phase II (Total)		
	# grants	Commitment US $m	% of total commitment	# grants	Commitment US $m	% of total commitment	# grants	Commitment US $m	% of total commitment	# grants	Commitment US $m	% of total commitment
LIC	132	21.37	53%	83	18.56	65%	80	18.77	66%	229	40.6	65%
MIC	79	14.4	36%	48	8.54	31%	48	9.77	34%	115	19.2	31%
Blend	28	4.71	12%	5	2.81	4%	1	0.11	>1%	6	2.92	5%
Total	239	40.48		136	29.91		129	28.65		349	62.7	

1.10. ***Region:*** The distribution of active FIRST grants by region and period is presented in Table 3. FIRST's commitments when considered by region have been roughly consistent over the three periods. Of new commitments, 40 percent go to the Africa region. This is less than the 50 percent target level. The IMF is able to meet and exceed the objective; the shortfall is in the World Bank with Bank commitments to Africa running at only one third of the total. However, one needs to be cognizant of the absolute numbers as well. The Bank has started 50 new projects in Africa in the last two years, whereas the IMF has started only 25. The limitation on the Bank's commitments in Africa is a dearth of qualified new projects. Both agencies continue to be quite active in Europe and Central Asia, but only the Bank supports projects in Latin America and the Caribbean.

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[8] Phase I covers the four years 2002-05, Phase II prior to the MTR covers the four years 2007-10, Phase II after the MTR covers the two years 2011-12, and Phase II total covers all six years (2007-2012)

[9] The sum of the average number of annual grants for each agency does not equal the overall average due to a slight rounding error.

[10] Data for commitments by executing agency for Phase I was not available.

Table 3: Distribution of Active Grants by Period and Region, Percent of Total

	Phase I	Phase II (MTR)			Phase II (Post-MTR)			Phase II (Total)		
		Bank-Executed	IMF-Executed	Total	Bank-Executed	IMF-Executed	Total	Bank-Executed	IMF-Executed	Total
Africa	40	36	61	41	33	64	39	36	61	41
East Asia and Pacific	11	8	11	8	13	4	11	13	9	12
Europe and Central Asia	18	19	18	19	22	16	21	19	15	21
Latin America and Caribbean	15	17	0	13	22	0	18	17	0	12
Middle East and North Africa	5	9	7	9	6	8	6	7	9	7
South Asia	8	11	4	10	5	8	5	8	6	7
Worldwide	2	0	0	0	0	0	0	1	0	1

1.11. ***Linkage to FSAPs:*** Table 4 presents the distribution of active grants linked to FSAP/ROSC (Report on Standards and Codes) by period. One of FIRST's objectives is to fund projects suggested in the country's FSAP/ROSC examination. In each of the three periods covered, the extent of the linkage with FSAPs has increased, until in the last period almost two-thirds of the grants were linked to FSAPs.[11] For 25 percent of the grants, both for the Bank and IMF, the extent of linkage to FSAPs was not recorded. Had it been recorded for all projects, the degree of linkage would be higher. Overall the increase in linkage between FSAP and FIRST-funded TA has been substantial.

Table 4: Distribution of Active Grants Linked to FSAP/ROSC by Period[12]

	Phase I	Phase II (MTR)	Phase II (Post-MTR)
FSAP/ROSC linked	68	65	90
Total grants	239	136	129
Percent FSAP linked	28%	48%	70%

1.12. ***Grants to Different Segments of the Financial Sector:*** The distribution of FIRST grants by sector and period is presented in Table 5. Turning now to the sectors of activity that FIRST funded, FIRST's project classification by sector has changed over time and direct comparisons among periods is imprecise. Furthermore, there appeared to be some anomalies in the classification, particularly between projects classified as non-bank financial intermediaries and those falling under the capital markets rubric. To make comparisons insofar as possible, recent projects have been reclassified to fit the earlier rubrics. The data in Table 5 indicates that there have been some major changes over the three periods with crisis preparedness growing in importance and capital market projects declining.

Table 5: Distribution of Active Grants by Sector by Period, Percent of Total

[11] Note clients have a different view of the linkage with FSAPs as reported in the next chapter. In the survey of client opinion only 33 percent stated the project was linked to an FSAP, but 44 percent did not respond to this question.

[12] For this table projects not identified are treated as not linked to an FSAP.

	Phase I	Phase II (MTR)	Phase II (Post-MTR)
Non-Bank Financial Institutions (NBFI) (incl. insurance & pension)	35	17	27
Banking (incl. deposit protection, credit info bureaus)	13	25	25
Multi-sector, Other	6	15	6
Crisis preparedness/ management	0	13	14
Capital markets (incl. debt instruments)	21	9	10
Other	24	20	18

1.13. A number of projects appeared to be misclassified in the reporting data. In the last two years, FIRST has adopted a two part identification system; for example, under banking FIRST has five sub-categories. This more detailed approach to sector classification should improve accuracy. Annex II provides more information by sector on the activities that FIRST has funded in the last two years.

1.14. Table 6 presents a breakdown by region and sector for all FIRST Phase II grants. In Annex II, comparable information is presented for the period before and after the Mid-Term Review. What is most striking about the finding presented in Table 6 is the concentration of multi-sector projects in the Africa region. Of 24 such studies funded, only two were undertaken outside the Africa region. Most of the projects falling in the multi-sector classification are Financial Sector Development Plans/Strategies (FSDSs). Of the 20 FSDSs, 16 are listed as connected to an FSAP with only four being independent development plans. In countries for which there has been no recent FSAP, FSDSs constitute an alternative, providing an analytical framework for both the reform program and technical assistance. There are some differences between FSAPs and FSDSs, with the former being more analytical and the latter more prescriptive, but there is also a substantial degree of overlap. The question of the number and design of FSDS is discussed in the case study dealing with FSDSs in Chapter II.

Table 6: Distribution of Active Grants by Region and Sector Phase II, Percent of Total Sector

	Banking	Financial Infrastructure	Multi-sector	NBFIs	Total
AFR	36	34	92	32	39
EAP	14	14	0	6	10
ECA	22	23	4	18	19
LAC	14	20	0	19	16
MNA	10	2	0	11	8
SAR	5	7	4	12	8
Global	0	0	0	1	0

Chapter II: Project Reviews

Introduction

2.1. Following agreement with FIRST during the inception phase a total of 29 projects[13] were subjected to in-depth review. Half were selected for inclusion in 3 case studies and the remaining 15 projects were selected as a stratified sample from among the universe of projects completed since the Mid-Term Review. The three case studies were selected so as to be representative of the way FIRST classifies its projects. [14] They are a country case—namely Rwanda, a sub-sector case—namely Capital Markets, and a project type study—namely Financial Sector Development Strategies. Each case study was based on the detailed review of five projects.

2.2. The rationale for choosing Rwanda as a case study is that it has received many FIRST grants during Phase I and II (10 in total) and the first programmatic grant under Phase III. Of all countries, Rwanda's relationship with FIRST in Phase I and II is best indicative of what can be expected from FIRST's new programmatic approach. With regards to capital markets, in Phase II there have been 37 supporting development grants-fourth among all financial market sectors supported by FIRST. Furthermore, it appears that there will be many more requests for capital market support in the future. However, in many of the countries seeking support, capital markets do not play a major role in the financial system. Therefore, having a systematic look at what past projects have accomplished could provide useful guidance for FIRST's future project selection. The third case study deals with financial sector development strategies, a class of project which links FSAPs with more specific technical assistance. With the number of FSAPs undertaken in poor countries falling, FSDS are likely to become a substitute. Most of the FSDSs undertaken to date have been quite comprehensive with hundreds of recommendations. Would more focused FSDS be better at identifying the key priorities and therefore more likely to be implemented?

2.3. Fifteen additional projects were chosen for detailed review. These 15 projects were chosen from projects approved or completed since the Mid-Term Review such that the overall sample of 29 projects mirrors the distribution of FIRST projects both by region and major financial sector.[15] The list of projects subjected to in-depth review is presented at Annex III.

2.4. Project analysis looked at seven dimensions: strategic relevance and timeliness, ownership, quality of outputs, dialogue and dissemination, outcomes and likely impact, Bank/IMF inputs, and process and client satisfaction. In addition to evaluating individual projects, the three case studies were analyzed looking for common accomplishments and problems. The ultimate objective was less to judge past performance and more to draw lessons that may suggest ways to improve future outcomes.

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[13] The same project was reviewed under two different case studies, reducing the number of projects reviewed from 30 to 29.

[14] FIRST classifies its projects under three different rubrics: country, sector of the financial system, and project type.

[15] Out of the 129 projects active since the Mid-Term Review, 50 were in Africa, 14 in East Asia Pacific, 27 in Europe and Central Asia, 23 in Latin America, eight in the Middle East and North Africa, and 7 in South Asia. On a regional basis the number of projects selected for in-depth review is in the same proportion as the number of completed projects. By sector, 48 of the completed projects were in Banking, 25 in Financial Infrastructure, 8 Multi-Sectoral, and 48 in Non-Banking Financial Intermediaries.

2.5. A guidance questionnaire was used by the team to assess each one of the 29 projects.[16] Sub-questions were evaluated using a six-point rating scale and then aggregated to give an overall rating.[17] The team filled out this guidance questionnaire for each of the 29 projects reviewed in-depth. In addition to analyzing project documents, the team interviewed relevant TTLs and Team Leaders (TLs). An attempt was made to interview relevant counterparts from the client agencies by phone. Aggregate ratings are presented in Annex IV.

A. Rwanda Case Study

Findings

2.6. Over the past decade, the financial system in Rwanda has become stronger, more diversified, stable, and inclusive. FIRST projects have contributed in a substantial way to that outcome. In Phase I and Phase II, FIRST financed 10 projects in Rwanda, two FSDSs and eight operational TA grants. Total commitments amounted to just under $3 million. Two projects executed by the IMF focused on bank regulation and supervision. Two of the other six projects dealt with insurance regulation and supervision, one focused on regulation of savings and credit cooperatives (SACCOs) and part of another project supported pension regulation and supervision. Other FIRST funds went to improve the payments systems, establish a credit bureau and implement recommendations made in the FSDP I report.

2.7. The early projects initiated in Phase I were less than completely successful, in large part because the clients were not committed. Though the projects were not successful, the areas covered continued to be of importance. In each case FIRST financed a second project covering similar ground and the second project was more successful. In Phase II, there was a high degree of cooperation between the clients, the executing agencies (Bank and IMF), and FIRST. Though catalytic in form, the many grants to Rwanda functioned more like a programmatic grant. The concentration of effort in the field of regulation and supervision and with multiple grants covering a specific area turned the individual grants into a more coherent program, making the whole something more than the sum of the individual parts. The focus on financial regulation and supervision will continue with the Phase III programmatic grant. Specifically, the new grant will support strengthening of the legal and regulatory framework for banking and insurance, increase supervisory capacity for banking, insurance, pensions, microfinance, and SACCOs and develop a crisis preparedness and contingency planning framework. One element in the programmatic grant is designed to strengthen supervision capacity for SACCOs, building largely on what has been done earlier but shifting to risk-based supervision. This is an example of a programmatic approach undertaken by FIRST in response to recommendations made by prior evaluations.

2.8. Because the National Bank is in charge of most financial market supervision, the projects contributed substantially to the strengthening of that institution. Training of National Bank staff was an important component of several of the projects. However, the National Bank has had problems retaining trained staff. Much of the value of training may be lost if those people leave. Hence the policies and labor practices of the client may be central to a project's longer term success and should be considered as part of any training program. This raises a broader issue: training may not be enough to strengthen institutions, if existing policies and practices undermine the institutions' strength.

2.9. In addition to focus and coherence, there are other lessons that can be learned from the Rwanda experience. At least in the case of Rwanda, moving FIRST's operations from London to Washington has

[16] One project was included in the Rwanda case study as well as in the FSDS case study thus reducing the number of projects actually reviewed to 29.
[17] 1=Highly Satisfactory; 2=Satisfactory; 3=Moderately Satisfactory; 4=Moderately Unsatisfactory; 5=Unsatisfactory; and 6=Highly Unsatisfactory

made for more successful projects. Having a task manager from the Bank or Fund improved the chances that a project would be integrated into an overall program with client support. The long-term relationship that the Bank and IMF have with the clients makes them a better executing agency than an outside contractor.

2.10. Other donors have provided support to the Rwandan financial system. DFID, the German Government and the Dutch Government provided support for financial inclusion. The African Development Bank (AfDB) and IFC have provided assistance to banks in the form of credit lines and partial credit guarantees. The AfDB supported the regional harmonization of the payments system. A new Bank-administered trust fund has been established to support financial inclusion, namely the World Bank Financial Inclusion Support Framework (FISF). In the future, some of the Bank's TA support to Rwanda will be funded by FISF. This program may well support supervision of SACCO's and improvements in the payments system, activities which in the past have been supported by FIRST. The Bank is also considering an IDA project that would focus on the financial market development. The different funding sources will therefore finance different but complementary developmental activities.

Projects

2.11. ***Financial Sector Development Plans/Strategies (FSDPs)***: In the Africa region, Financial Sector Assessment Programs (FSAPs) are typically translated into more detailed, FIRST-financed FSDPs, which are then followed in turn by operational technical assistance (TA) assignments. This model was followed in Rwanda with FIRST funding two comprehensive Financial Sector Development Plans (FIRST #447 and FIRST #10187), in each case approximately one year after an FSAP. Two Financial Sector Appraisal Projects (FSAP/FSSA) carried out by the Bank/Fund in 2005 and 2011 led to and were elaborated upon by two FIRST-financed Financial Sector Development Plans (FSDP also called FSDS). These four studies provided a well-articulated basis for carrying out specific TA projects.

2.12. FSDP I was highly rated. The government took ownership of the project, setting up a group to work on both the plan and its implementation. Following its completion, FIRST funded a TA project (Financial Sector Development Project, FIRST # 7064) to assist with the implementation of the FSDP I recommendations.[18] It is reported that more than 100 of the recommendations were adopted. The output of FSPD II was highly rated, but it is too early to judge whether it will have an equal impact on reform as FSPD I. FSDP II is discussed below in the section on strategy projects.

2.13. ***Payments Systems:*** In 2004 FIRST supported a project (Linking Payment Systems for Banks and Service Providers FIRST #115) to establish an automated payment system linking the payment of banks and service providers. The project could not be completed as the organization that was to host the communications interface underwent a reorganization that prevented it from participating. In addition, the commercial banks and the service providers were not prepared to participate in testing and implementing the proposed system. In the Project Completion Report (PCR) the project was rated poorly. The main lesson cited was a project is unlikely to be successful without strong commitment from the stakeholders. Long delays in implementation further hampered this project.

2.14. In spite of this disappointing outcome, a second grant was made to support development of the payments system as one of the three components of Financial Sector Development Program II, Implementation TA (FIRST #7064). In this case the objective was to develop a conceptual business model for Rwanda's automated clearing house for low value payments. This function provided clearing facilities for checks and other existing paper-based instruments as well as electronic instruments.

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[18] The project contained two other components, one dealing with payments systems and the other with the supervision of pensions. This project was reviewed as part of the FIRST Mid-Term Review.

Developing a model was less demanding than the prior project's objective of developing and implementing an important component of the payments system. Given its limited objective, this aspect of the grant was rated quite successful.

2.15. ***Micro-Finance*****:** FIRST funded a project in Phase I to create a credit bureau for micro-credits. The project (Developing a Microfinance Credit Information Bureau FIRST #117) was intended to assess the feasibility of credit bureau for micro-credits and provide technical recommendations for its establishment. The first three segments of the project were fully implemented with a credit bureau installed at National Bank of Rwanda (NBR). However, the use made of the system was not considered satisfactory with little data entered or retrieved, though this is not uncommon in the early years of operation of credit bureaus. Though initially the stakeholders in the project appeared committed, they lost interest as the project progressed. As a result the fourth phase was never implemented. FIRST extended the project's closing date several times, but finally closed it after more than three years in operation. The PCR rated the objectives as partially achieved. The lesson was that the recipients were not fully committed to the project. There is today in Rwanda a private credit bureau.

2.16. Again the World Bank/FIRST implemented a second project (Supervision of Savings and Credit Cooperatives FIRST #10190) in support of micro-finance, though in this case with a considerably different approach. To increase access to finance, the Government of Rwanda embarked on a strategy of establishing savings and credit cooperatives (SACCOs) in each of the 416 geographical districts of Rwanda. As a result of the efforts made to introduce SACCOs nationwide, it is estimated that the share of the population with access to financial services increased from 47 to 72%. However, with the expansion of the SACCO network, there was a real danger that the government had moved too fast without putting in place an adequate supervisory structure for these institutions. The newly established institutions increased the supervisory burden on the National Bank. FIRST funded a rapid response technical assistance project to support NBR in the regulation and supervision of the SACCOs. The SACCO project was reviewed for this report. The newly established institutions increased the supervisory burden on the National Bank. FIRST funded a rapid response technical assistance project to support NBR in the regulation and supervision of the SACCOs. This project was quite successful.

2.17. ***Insurance Supervision:*** In Phase I, FIRST made a grant to strengthening the supervisory capacity of the Insurance Commission. The grant for Strengthening the Supervisory Capacity of the Insurance Commission (FIRST #450) was instituted in order to draft legislation and regulations for the insurance sector and to build supervision capacity. During implementation of the project the regulatory and supervisory responsibilities for the insurance sector were transferred from National Insurance Commission to the National Bank of Rwanda. Given the unclear status of the regulator, efforts on staff training were suspended. The World Bank and FIRST asked the consultants to focus on drafting pieces of legislation in consultation with the insurance industry which lead to two new regulations. The latter aspects were helpful, but the training component was not successful, but as discussed below was followed by another FIRST project that did provide needed training.

2.18. Again the Bank/FIRST implemented a second project (Implementing Risk-Based On-site Inspection for the Insurance Sector FIRST #10071) to strengthen insurance regulation and supervision after the supervisory function had been moved to the National Bank of Rwanda. After the new insurance act was passed, other donors assisted NBR in developing off-site supervision capacity. This project was designed to complement that effort by providing the National Bank with training for on-site supervision. This project was successful. The consultant provided excellent technical training on on-site inspection of insurance companies as well as hands-on oversight in several inspections. Additionally, the consultant worked with the managers of the insurance companies to help them understand the new law and inspection process. The project was slow to get started with a ten month delay in finding a consultant. The training was divided into four different consultant visits, which the client found disruptive to the training process. One section of the ToR was not delivered. Less than half the allotted budget was spent. It was recognized at the time that additional capacity building would be needed to mentor new staff and ensure that the NBR could effectively supervise a growing number of insurance companies. The programmatic grant in Phase III is designed to address the regulatory gaps (life/non-life) and to continue the work of as capacity building. The NBR has had trouble in the past retaining trained supervisors. The training will have little impact if those trained leave the NBR. This problem must be resolved through appropriate NBR actions to retain trained staff.

2.19. ***Bank Regulation and Supervision:*** Because of high staff turnover, the banking supervision department (BSD) of the NBR had by 2010 lost all but two staff members with two years of experience in banking supervision. While the NBR had been successful in recruiting new staff, they had little experience or training. Hence the NBR requested the IMF to provide broad-based training in the techniques of bank examination, off-site analysis, and general issues of banking supervision. In 2011 the IMF initiated a FIRST-funded project of basic training for bank supervisors at the National Bank of Rwanda (Bank Supervisory Capacity-Building Assistance to the National Bank of Rwanda Phase I). This was then followed by a second FIRST-funded project in 2012 (Bank Supervisory Capacity-Building Assistance to the National Bank of Rwanda Phase II) covering more advanced topics in banking supervision. In particular, the two projects focused on: amending existing bank regulations, implementing an action plan, and applying the practical skills essential for CAMELS-based bank examination. The two projects strengthened BSD to the point that it felt confident that it could carry out both bank regulation and supervision without further outside technical assistance. The risk to this project, as well as those in other areas of supervision, is that the NBR might continue to lose trained staff. This points to the need in training programs to assure that the client has suitable policies in place to retain trained staff.

B. Capital Markets Case Study

Findings

2.20. FIRST funded 37 Capital Market projects during Phase II with a total commitment of US$5.5 million. Many of projects were based on Financial Sector Assistance Programs (FSAPs), even though one case was considered of "lower priority." All five projects reviewed were based on requests from local agencies. The projects included drafting aspects of legislation and the local authorities participated in the process. Project deliverables were completed on budget and on time, except for Sri Lanka where there were delays. The clients expressed satisfaction with the consultants' work, which clearly met international standards.

2.21. The project in Morocco was designed to introduce a specific instrument - covered bonds - to assist the financing of housing. Several banks are considering issuing bonds this year. The other four projects were designed to strengthen the local capital markets by introducing demutualization[19] of the stock market in Sri Lanka and Nigeria, and improving supervision and transparency in Azerbaijan and Belarus. In Azerbaijan the strategy for development is being implemented, helped by a $13 million loan from the World Bank. The Baku Stock Exchange has become more liquid and efficient but remains small. In Sri Lanka, after several delays, legislation to improve SEC oversight should be passed in some form in 2014 or 2015. Of the other two cases—Belarus and Nigeria—discussions have been initiated with local agencies and stakeholders. But delays at a political level have slowed down or blocked further progress in

[19] Demutualization of a stock exchange generally refers to a process by which the ownership of the stock exchange is transferred from its users, usually stockbrokers and other stakeholders, "the mutual owners," to the public at large, generally through the sale of shares and listing in the stock exchange itself. Such process usually results in a more transparent and profit oriented vehicle.

Belarus, while disagreements between the private sector players have delayed full implementation of demutualization of the stock exchange in Nigeria, which, however, should start this year.

2.22. In terms of the outputs produced by the consultants, all five projects can be considered successful. Judged in terms of outcomes for the major objectives, the picture is more mixed. The proposed laws were enacted by the governments in Azerbaijan and Morocco. In Sri Lanka and Nigeria demutualization of the stock exchanges has been delayed but is likely within the next two years. In Belarus the project is not likely to have a positive outcome any time soon. The expected impact on the financial markets of these five projects is even more difficult to assess, as even in the case of Azerbaijan where the impact is clearly positive, it will take longer than expected to realize. In three of the other four examples, the impact on the financial markets is yet to be realized but can certainly be expected to be positive in the longer run. The very substantial delays between output and impact suggest how difficult it will be for future evaluation reviews to capture a project's full impact.

2.23. As evidenced by the Belarus Capital Markets Development project, activities rated as having a low priority in an FSAP are likely to be given low priority by the government concerned. This suggests that FIRST needs to be more selective and attempt to judge suitability and timing as well as eligibility in reviewing grant applications. But it also indicates that in high risk situations, the Bank may be able to use TA rather than a policy loan, thus minimizing the loss if the effort at reform is not successful. As in the case of Azerbaijan, a loan can follow successful TA. The review indicates the need for broad support among key stakeholders. Even when requests have been received from local agencies, some elements of government may lack the necessary commitment to make the project a success. If possible this should be determined in advance as it can affect the desirable timing of a project.

Projects

2.24. ***Morocco: Legislation to Facilitate the Introduction of Covered Bonds (10007).*** The Morocco project was designed to draft legislation to facilitate the introduction of covered bonds. The project was well designed and executed and, though it took two years from the end of the consultancy, the legislation has now been passed. In that sense the project can be judged to have had a successful outcome, but the actual impact on the markets cannot be judged, as no covered bonds have been issued to date though several banks are said to be considering issuing them in 2014.

2.25. Covered bonds are longer term "full recourse" instruments issued by banks and secured by a pool of high quality housing mortgages. When issued, they should help Moroccan banks manage liquidity, interest rate risk and maturity mismatch related to their expanding mortgage portfolios. Covered bonds can also help domestic institutional investors diversify their assets with a new class of private bonds. Turkey and Uruguay have already benefited from assistance in this area through FIRST-sponsored projects and other emerging economies (Mexico, Poland and Hungary) have asked the Bank to provide similar assistance in introducing or improving the regulatory framework for covered bonds. The Bank has developed substantial expertise in this area and expanded its roaster of external consultants.

2.26. ***Azerbaijan: Capital Market Development Plan (9058).*** Although deriving considerable income from oil, Azerbaijan had a rather rudimentary capital market in 2009. In line with recommendations made in the FSAP of 2004, several local stakeholders joined to ask for assistance with the development of the Baku Stock Exchange. The FIRST funded consultants prepared an excellent report, which served as a basis for a World Bank loan of $13 million. The loan funds were used to hire experts from the Vienna Stock Exchange to help implement some of the report's recommendations. The Baku Stock Exchange has become more efficient and transparent; government bonds and several corporate bonds are actively traded but only shares of one company are traded at present. There are a few other firms waiting for listing and presumably more will join in the forthcoming year or two. Several state-owned enterprises are being considered for privatization. If privatization is carried out, these relatively large firms might also be listed on the exchange.

2.27. ***Belarus: Post FSAP support for Capital Markets Development (9027).*** In an FSAP Update for Belarus, carried out in 2009 (which was preceded by a Technical Note on the Summary Assessment of Compliance with International Organization of Securities Commissions (IOSCO) principles), it was noted that there were shortcomings in Belarus regarding the regulation, supervision and development of the securities' market. However, the FSAP had listed the improvement of the Belarus capital markets as a "low priority." The FIRST funded project was to produce draft laws to improve the regulation, supervision, and development of the securities market. The consultants produced two, sensible draft laws and provided training to local staff. However, due to government priorities, such legislation has yet to be approved by parliament. It is difficult to foresee that in the near future Belarus will enact legislation strengthening the local capital markets or engage in large-scale privatization.

2.28. According to the project completion report, the key lesson learned was that the policy makers and other influential political economy actors were not in full agreement on the legislative issues and thus did not feel that the implementation of the legislation was a priority. It is unclear how the WB team could have rectified the situation. In general it is difficult to push implementation of legislation when not all stakeholders feel it is a priority. Possibly, FIRST should have heeded the FSAP update classification of "lower priority" and not funded this activity.

2.29. ***Nigeria: Enhancing Capacity of the Security Exchange Commission (10073).*** The Nigerian markets were seen to have problems of credibility and trust due to weaknesses in the capacity of the regulator to oversee and supervise them properly. In order to overcome some of these issues the Director General of the Securities and Exchange Commission (SEC) requested technical assistance to enhance the capacity of the SEC to oversee and monitor the capital market institutions and participants. The assistance was to include guidelines for improving the corporate governance structure of market institutions such as the Nigeria Stock Exchange (NSE).

2.30. Assistance was provided to the SEC to develop guidelines for improving NSE governance and understanding the policy options and regulatory implications. Workshops were held with market participants to explain SEC's new governance guidelines and recommendations on demutualization of the stock exchange. Such work resulted in lengthy and fruitful negotiations amongst the brokers, the NSE and the SEC. These agencies agreed on a framework for demutualization, although no clear conclusion was reached on how many shares would be allotted to each stakeholder. The Nigerian government was also convinced to abandon its demand to hold a percentage of shares in a demutualized NSE. This was considered an important concession towards the creation of an independent and listed NSE. Bank Staff also put the Nigerian stakeholders in touch with their Kenyan counterparts, who had recently undergone demutualization and strengthening of the oversight process. However, lack of ownership and commitment of some key stakeholders have led to delays in the implementation of the recommendations. Just recently in 2014, the NSE has begun the process of demutualization by asking consultants for an Expression of Interest in advising on demutualization. This would be a first step that might result in an IFC investment. Even if major changes have not occurred to date, Bank staff feel that the discussions have been an extremely useful step toward future developments.

2.31. ***Sri Lanka: Amendment of the SEC Act (10158).*** The 2008 FSAP update as well as the Financial Sector Policy Note suggested that the local SEC should reform the legal framework for the regulation and supervision of the Colombo Stock Exchange, which is large with 290 listed companies representing 20 business sectors and a market capitalization of approximately US$20 billion. FIRST funded a project in support of this effort. The project was well designed and executed, although it suffered from substantial delays linked to changes in the SEC leadership. SEC ownership of the project and client satisfaction were high and the project was deemed successful both by Bank staff and the local authorities. However, demutualization of the stock exchange has not yet been achieved, nor has the proposed legislation passed, though it appears that it is under consideration by parliament. Political disagreements, unrelated to the project, appear to be responsible for the delays. The likely impact of this project is difficult to assess and might not materialize without further technical assistance.

C. Financial Sector Development Strategies (FSDS) Case Study

Findings

2.32. During Phase II FIRST funded 22 Financial Sector Development Strategies (FSDS)[20] projects in 19 countries at a cost of about US$6 million. All but two of the FSDSs were in the Africa region. In four countries without a recent FSAP, FIRST funded a stand-alone FSDS, but the other 18 FSDS followed an FSAP. The FSDSs elaborated on the FSAP recommendations adding considerable detail, specifying priorities, providing a time-line for reform and identifying agencies responsible for action. FSDS tended to follow FSAPs by about two years. This note is based on a review of five FSDS: Botswana, Mauritania, Mozambique, Rwanda and Tajikistan.

2.33. The FSDSs were managed by a World Bank TTL using FIRST-funded consultants though TTLs became involved in drafting when needed. To ensure domestic support both for the studies themselves and for the recommendations, the Bank and country officials agreed upon a national steering committee to interact and guide the Bank and FIRST-funded consultants and to review the completed report. FSDSs typically involved an analysis of a country's financial sector issues from a developmental standpoint, rather than the stability standpoint which dominates FSAPs. FSDS provided detailed recommendations on annual reform activities to be carried-out in the financial sector over a lengthy horizon, in some cases as much as ten years. The specified reforms focused primarily on new laws and regulations. After delivery, the recipient country was expected to implement the FSDS recommendations with Bank and other donor support.

2.34. The technical quality of the FSDSs reviewed ranged from satisfactory to very satisfactory. The FSDSs findings were generally timely and strategically relevant. The ownership of the output varied among countries. The extent of dissemination varied from a simple mention of the FSDS in the country's budget to wide dissemination and publication. In most cases the FSDS was disseminated to and discussed with other donors, after which the donors pledged support for TA in particular areas. The implementation of the recommendations in the FSDS varied largely depending upon a country's capacity and the extent of further donor support. In countries in which there had been extensive interaction with the country's own team, there was also greater implementation of recommendations.

2.35. In the case of Botswana a number of the recommended laws were drafted by the government without outside support and either have been passed or are in cabinet awaiting approval at the time of the review. In the case of Tajikistan the project under which the FSDS was funded also included resources for drafting some new laws and regulations. In the case of Rwanda, FIRST funded a project specifically designed to help the country implement the recommendations of the first FSDS. In the other countries reviewed, TA support for drafting new laws and regulations has lagged and FSDS implementation has been less successful. It might be desirable to include some funds for follow-up in the original FSDS grant or to follow the FSDS with an implementation project as in Rwanda.

[20] Some of the Financial Sector Development Strategies (FSDS) were called Financial Sector Financial Sector Development Plans (FSDP).

2.36. As noted, implementation of recommendations was more likely in countries in which there was close cooperation with a national steering team. The composition of that team can also be important. The steering team always included representatives from the central bank, one of whom chaired the committee. But wider participation is important including representatives of the finance ministry. This is particularly important when the issues involve capital markets, insurance, pensions and postal saving system, which are likely to fall outside the purview and regulation of the central bank.

2.37. The scope and time horizon of the FSDS is also important. In the case of Mozambique, the FSDS recommendations covered a ten year period; a time horizon of five years would seem more appropriate given the rapidity with which financial sector issues change. In Rwanda the FSDPs' recommendations were far more numerous and detailed than the FSAPs. The first FSAP provided 20 recommendations; FSDP I identified 248 specific action of which 86 were considered priority to be completed within nine months. The FSAP update proposed 27 changes; the second FSDP listed 442 actions of which 200 were considered high priority. A country that was less committed to reform than Rwanda and whose institutions might be less strong could well be overwhelmed by so many recommendations and unable to determine priorities. Given the limited capacity of countries to determine priorities and implement improvements, a fewer, better prioritized set of recommendations seems more appropriate.

2.38. In the future, the IMF is likely to focus its preparation of FSAPs on countries whose financial systems are of systemic importance. Fewer resources will be available to prepare FSAPs for smaller countries. In lieu of FSAPs for these non-industrial countries, FIRST is likely to be asked to fund FSDSs. It will be useful to have these FSDSs both to provide the countries with strategic roadmaps for financial development and to identify for the donors the areas in need of technical assistance

Projects

2.39. ***Mauritania: Financial Sector Development Strategy (10028).*** FIRST supported a Financial Sector Development Strategy (FSDS) that was completed in April 2013. The 2006 FSAP for Mauritania recommended the drafting of an FSDS. Actual drafting was delayed by a two year hiatus in Bank dialogue with Mauritania and then a lack of Bank resources to support the project, which was resolved when FIRST agreed to support the project. A Steering Committee was set up for the FSDS, led by the Central Bank Supervision Department and included representatives from other government organs and donors. The FSDS was completed and delivered in April 2013 (about 3 years after concept review according to the ACS). At that time a workshop was held, including both the steering committee and donors.

2.40. The consultants did draft an action plan as called for in the ToR. In fact the FSDS had 32 pages of recommendations on new laws, regulations and capacity building, which were technically sound, but too many in number. Although the Council of Ministers did vote the FSDS as a National Document, thus far, implementation of the FSDS recommendations has been slow, in part because of a lack of donor funds to support the technical assistance needed to follow-up on the FSDS recommendations. Some of the implementation of the Action Plan depended on the Supervision Department of the Central Bank to draft laws and regulation, and for capacity building. Thus far the Supervision Department has not produced the drafts, possibly for lack of interest. Moreover, much of the FSDS Action Plan was outside the Central Bank's direct purview, e.g. insurance (Ministry of Trade), Social Security (Ministry of Finance), postal finance, and the legal and judicial environment in general. These Ministries have also not taken action.

2.41. As the FSDS has not thus far produced results or led to capacity building, it can be considered only moderately satisfactory. Some of the cost of the project was shifted to the Bank budget. Bank spending was somewhat larger than originally planned but FIRST's disbursements of $214,250 were $92,000 less than the original commitment.

2.42. ***Tajikistan: Post FSAP Financial Sector Legal and Regulatory Reforms and Strategy Development (7080).*** This project, funded by FIRST was highly satisfactory overall. It had three components: a) drafting an FSDS as follow up to the 2007 FSAP; b) providing amendments to the Central Bank Law, a new Deposit Insurance Law, and a new Bank Liquidation Law, all of which had been recommended in the FSAP; and c) suggesting eight additional regulations that appear reasonably substantial, including strengthening the Central Bank's regulations on foreign exchange exposure in banks, calculation of banks' reserves, bank inspection, penalties that the Central Bank may impose, and the Central Bank's role in bank resolution. In addition, the project also supported: a) drafting of a payments law (the application of which was supported by another FIRST TA); and b) reviewing the regulations for secured transactions that will in turn provide momentum for reform of collateral practice.

2.43. Ownership of the project was very high, as indicated by the passage of the laws and regulations. The technical quality of the FSDS and the amended laws and regulations was also high. Dialogue and dissemination were also handled well, reflecting the close interaction between the consultants and the government in the preparation of the laws and regulations. Bank inputs and processes were satisfactory and the TTL did a good job of pulling together the inputs provided by the consultants. The likely results are good, with the FIRST-supported outputs leading to needed changes in the laws and regulations and laying the groundwork for additional laws. Not surprisingly, the Tajikistan government was highly satisfied with the result of the Bank/FIRST supported activities, including the FSDS, which served as the basis for additional donor support.

2.44. ***Mozambique: Financial Sector Development Strategy (10170).*** An FSDS was prepared without FIRST support as a follow-up to the 2009 FSAP Update. The first draft was considered inadequate. FIRST agreed to support the revision of the document coupled with a time-prioritized action plan. This FSDS focused on rural finance. FIRST also funded a Consumer Protection and Financial Literacy Report that the Government considered important. The FSDS and its detailed action plan, a separate summary, the rural finance action plan and the Consumer Protection Report were approved by the Ministerial Steering Committee and published in both English and Portuguese in June 2013 and discussed at a dissemination workshop.

2.45. The Mozambique FSDS satisfactorily met the objectives defined in the ToR. The FSDS played several rolls. It met the objective of helping mobilize donor support, which now includes DFID and others providing $20 million to support implementation of the strategy plus the World Bank providing $3 million for a DOP for Financial Inclusion. Of course the key issue is implementation of the Action Plan itself. Although the FSDS's Action Plan prioritized recommendations, its lengthy ten year time horizon with numerous recommendations is likely to tax Mozambique's implementation capacity. Also the action plan is likely to require revision to address changing developments well before the end of the 10 year time horizon.

2.46. ***Botswana: Financial Sector Development Strategy (10043).***The main component of this project was a Financial Sector Development Strategy (FSDS) as a follow-up to the recommendation of the 2007 FSAP. The project also provided some advice on contingency planning and deposit insurance. The FSAP had noted that Botswana's financial sector risks were low ("The task ahead is largely developmental.") and explicitly recommended a comprehensive financial sector strategy. The need for an FSDS was increased by the Government's intention to diversify the economy, as described in National Development Plan 10. The FSDS was delivered in October 2012.

2.47. The Botswana Government followed up the FSDS/FSAP with numerous important actions, including: 1) privatization of the National Development Bank; 2) merger of the Botswana Savings Bank and Botswana Postal Services; 3) amendments to the Banking Act drafted by the Central Bank; 4) a Securities Bill approved by the Cabinet and scheduled for presentation to Parliament; 5) a Pension and

Provident Funds Act that was approved by the Cabinet and also scheduled for presentation to Parliament; and 6) an Insurance Act that is scheduled for Cabinet Discussion. In addition, the Government has been working on developing the bond market; improving credit information with support of a World Bank report; and improving access to finance with TA from Finmark Trust.

2.48. This project was highly satisfactory overall. Ownership of the assistance provided by FIRST and satisfaction with the results were high, as indicated by the numerous follow-up actions. The technical quality of the FSDS was also high. Good interaction took place with the Government through a Government Steering Committee headed by the Central Bank. The Steering Committee included the Ministry of Finance, since many of the recommended changes lay outside the mandate of the Central Bank. The FSDS was mentioned in the Government's budget speech of 2013, but its dissemination could have been broader.

2.49. ***Rwanda: Financial Sector Development Plan II (1087).*** FSDP II addressed stability and development weaknesses identified in the 2011 Financial Sector Assessment Program (FSAP) Update. FSDP II built upon the highly successful FSDP I which helped put in place major legal, regulatory, and institutional reforms. There was a slight delay in starting FSDP II because of a reshuffle in senior Government positions. This, however, did not impair the relevance, quality or importance of the technical assistance program. To ensure that the strategy reflected the view of Government and the situation on the ground, FSDP II was developed with guidance from a Financial Sector Working Group comprised of key financial sector stakeholders. The overarching vision of FSDP II was to chart a plan for developing a financial sector that was deep, broad and stable and able to mobilize and allocate resources needed to develop the economy and reduce poverty. The plan produced was quite comprehensive including 442 recommendations for change of which 200 are considered to be of high priority. As mentioned above so many recommendations tend to diffuse focus from what is really important.

2.50. FSDP II has become the platform for the Government's strategy; it was approved by Cabinet in September 2013 and a donor roundtable to discuss implementation support took place in October 2013. FIRST will support aspects of the plan through its new programmatic loan. Other donors will also provide support. DFID and the German Government are focusing their support on financial inclusion while the AfDB and IFC are providing direct support to banks in terms of credit lines and partial credit guarantees. The consultants and associated Bank staff produced a report of high technical quality. Though it is too early to reach conclusions, given the degree of external support, there is a good chance that substantial parts of the plan will be implemented.

D. In-Depth Review of 15 projects

Findings

2.51. FIRST assistance was provided through the funding of 349 projects during Phase II. This included 22 FSDS and 37 Capital Market projects that were reviewed separately. Fifteen projects of the remaining 289 were reviewed in detail. They covered very diverse activities that can be categorized into Banking (Uganda, Nepal and Ukraine), Insurance (Philippines and Albania), Financial Stability (Azerbaijan, Bangladesh, Costa Rica and El Salvador), Financial Infrastructure (Vietnam, Bangladesh, Kyrgyz Republic and Thailand) and Housing and Multi-sectors (India and Namibia).

2.52. In all cases the projects followed requests by local agencies, which had consulted with Bank and IMF staff. Most projects were strategically relevant, timely and linked to needed developments in the financial sector of each country in question. However, in some projects there were questions as to whether the implementing agencies had the necessary skills and capacity required to benefit from the activities carried out.

2.53. In general, good to excellent outputs were produced by the consultants in conjunction with Bank and IMF staff and with the collaboration of staff from local agencies. For example, the crisis preparedness exercises and documentation needed for such exercises were well prepared and the simulations were carried out smoothly. However, since only three crisis preparedness projects were reviewed this finding cannot be generalized to the universe of such projects. Outputs produced under the Ukraine, Kyrgyz Republic and India projects were considered high quality. However, the Uganda-Strengthening Bank Regulation and Supervision project was found to have a scope that was too broad resulting in an excessive number of recommendations whose implementation will likely challenge the absorptive capacity of that country.

2.54. The likelihood of impact of these projects was mixed with some projects showing good potential (Azerbaijan-Operationalizing Systemic Risk Response Framework, Costa Rica-Crisis Simulation Exercise, Ukraine-Planning and implementing Bank Resolution at the Deposit Guarantee Fund, Kyrgyz Republic-Improve Bulk Clearing System and India, providing expanded access to housing finance for low income families). However, other projects were more problematic (Nepal-Problem Bank Resolution and Bangladesh-Contingency Plan) because the agencies involved seem to lack the capacity to optimally utilize the outputs produced and would require further technical assistance to do so. In some instances, additional technical assistance to proceed with implementing the recommendations (Albania-Assistance in implementing a risk-based insurance pricing system and Vietnam-Improving Banking System Efficiency) was also needed. The fifteen projects reviewed are described below.

Banking

2.55. ***Uganda: Strengthening Banking Regulation and Supervision (#10234).*** FIRST funded a team of World Bank experts and consultants to design a diagnostic roadmap for the strengthening of the banking regulation and supervision legislation, including the usage of electronic means of payment in Uganda. The team, in conjunction with the Ugandan authorities, elaborated a Roadmap for Banking Regulatory and Supervisory Reform and an accompanying implementation program, and organized several seminars and workshops to facilitate stakeholder dialogue and foster consensus around both the reform priorities and the recommended actions. Four high priority areas were identified: payment systems, macro-prudential supervision, bank competition and credit availability, and financial inclusion.

2.56. The project is still ongoing. It appears that there is a great deal of collaboration with IMF, the Bank of Uganda (BoU) and all other parties concerned. The BoU has been collaborating with Bank staff for several years before requesting TA for this project, so ownership is quite strong. The implementation of the Basel Core Principles remains a concern in many developing countries and the project will attempt to define concrete indicators of supervisory capacity as part of the exercise so as to help the BoU achieve stronger regulatory capabilities in view of Basel III implementation. However, the scope of the project is very broad and is resulting in an excessive number of recommendations whose implementation will likely challenge the absorptive capacity of that country.

2.57. ***Nepal: Problem Bank Resolution Operational Manual and Toolkit (#10245).*** FIRST was asked to fund a consultant to develop and advise on implementing a bank resolution manual, to advise authorities on an enhanced Nepal Rastra Bank's (NRB) Prompt Corrective Action (PCA) Directive and build capacity and mentor NRB staff. Key outputs included the preparation of a step-by-step Problem Bank Resolution Manual (PBRM) for designing supervisory interventions of problem banks and implementing resolution options, including forward-looking liquidity, solvency and capital ratio analysis.

2.58. This project was the immediate follow-on to a previously completed FIRST project (#10199) on Crisis Preparedness, which recommended both the immediate implementation of problem bank resolution procedures and improvements to the legal framework for problem bank resolutions. The project took place at the same time and was coordinated with an IMF TA project involving review of the Nepal Rastra Bank Act (NRBA). The authorities also introduced strategic amendments to the Bank and Financial Institutions Act (BAFIA) to expand the current legal resolution tools and powers. Following FIRST assistance, another donor partner (DFID) has already taken up the next phase of support to NRB strengthening capacity of its staff in the on-site and off-site supervision departments.

2.59. Interestingly, NRB commented that the project could have been more effective had Bank staff checked adequacy of coverage at frequent intervals after output was delivered and provided the necessary feedback accordingly. There was good local agency ownership, but the PBRM and revised PCA Directive were not officially approved by the NRB board by project completion. Further TA, and World Bank assistance is deemed necessary. It is likely that NRB would have difficulties in resolving or liquidating bank failures given present staffing levels and capacity. Following the project, DFID has taken up the next TA phase in strengthening the capacity of staff in on and off site supervision. The likelihood of impact of this project was found moderately unlikely.

2.60. ***Ukraine: Planning and Implementing Bank Resolution at the Deposit Guarantee Fund (#10323).*** During the course of the TA, the consultants worked alongside staff of the Deposit Guarantee Fund (DGF), particularly in the bank resolution department, and advised the Managing Director and the Deputy Managing Director to ensure that individual staff understood their accountabilities for tasks and the steps that will be required, following the broad outline that exists in the DGF's own bank resolution manual. The consultants helped management and staff understand how to put procedures into action. As a learning-by-doing process, the consultants reviewed with staff the procedures outlined in their manuals, planned out how to put them into action, advised on improvements to the process, shared lessons-learned with staff, and shared feedback and advice with management how to improve the process and organization.

2.61. As a result of the technical assistance, DGF obtained just-in-time assistance to carry out bank resolution and liquidation plans for 2 failed banks—Erde Bank and Tavryka Bank—and, in the view of DGF management and the TA team, substantially improved DGF’s capacity and readiness to carry out this type of work. The project outcomes were fully achieved with local ownership in an extremely relevant and timely context. The impact on the local agency was very positive as it not only helped it deal with an existing crisis, but also prepared it for future ones. Client agency and government alike were satisfied of the outcome and decided to dramatically increase the number of staff dedicated to bank resolution from 5 to 14, which should also help in future crises. Overall, one of the more impactful and significant projects undertaken in the banking subsector.

Insurance

2.62. ***Philippines: Deposit Insurance (#10144).*** The project involved technical assistance to improve the status of the insurance industry including a review of the current reserve targeting framework, an assessment of the viability of certain measures to ensure adequacy of insurance reserves, and recommendations to enhance the methodology for estimating the adequate level of insurance reserves for the Philippines Deposit Insurance Corporation (PDIC) including drafting an amendment to the PDIC Charter to maintain adequate level of insurance reserves.

2.63. One of the principal goals of the project was to achieve better adequacy of insurance reserves and ensure that contingent funding arrangements are in place. As a result, it is expected that the Deposit Insurance Fund (DIF), the capital account of the PDIC, will be better utilized. It is also expected that the insurance reserve targeting framework will be consistent with international best practices. The terms of reference did not specify the drafting of legislation, but only required making recommendations to ensure that the PDIC and the DIF followed international best practices. Nevertheless, the project proposed a set of enhancements to the legal framework to improve DIF's management. PDIC has also requested further assistance for enhancing its modeling capacity based on project recommendations.

2.64. There was a high degree of ownership from the PDIC and good dissemination of the consultant's findings. According to the PCR, some outcomes were achieved or are in the process of being achieved and many of the recommendations to stakeholders are being followed. The timing of the project was also relevant as the adequacy of PDIC needed to be improved. This project was the necessary first step towards this goal.

2.65. ***Albania: Liberalizing MTPL Insurance Market (#10151).*** The main objective of the proposed project was to assist the Albanian Financial Supervisory Authority (AFSA) in the development of policies and processes to enable the move away from centrally-managed tariff-based pricing toward fully liberalized risk-based pricing of the products on the Motor Third Party Liability (MTPL) insurance market. The project was also to assist the AFSA in bringing the relevant domestic insurance market legal framework in accordance with the European Union directives, in line with Albania's commitments under the Stabilization and Association Agreement with the European Union.

2.66. The supervisory authority (AFSA) was closely involved in the process at all stages. A quality output was produced by highly technical insurance experts and was well disseminated in the closing workshops which were very well received by all stakeholders. AFSA was kept fully informed and continuous engagement by the working group from launch enabled Bank staff to measure the degree of satisfaction of the local agency. The overall Bank performance was satisfactory. The project is expected to increase the quality of MTPL protection and overall risk management of the Albanian insurance market. It should considerably decrease the number of uninsured motorists and develop a system that was more transparent and efficient. The project did not fully achieve its other goal of bringing the relevant insurance market legal framework more in line with EU directives. Additional TA is therefore likely to be needed.

Financial Stability

2.67. **Azerbaijan*****: Operationalizing Systemic Risk Response Framework (#10205).*** FIRST had previously funded a project from May 2010 through September 2010 with the Central Bank of Azerbaijan (CBA) to assist in developing a systemic risk response framework (SRRF): FIRST #9061 "Development of a Systemic Risk Response Framework". The main objectives of that project was to design a tailor-made computer model (multi-factor scenario analysis) for Azerbaijan's financial system to diagnose weaknesses, generated by exceptional but plausible shocks, and to provide a tool for CBA to improve its supervisory process. CBA had been using the developed model, custom-built for Azeri system on a regular basis. The applicability of the model was tested many times and CBA wanted to use the model in its supervisory process. To do so, CBA requested a follow-up implementation phase of the previous project to adopt SRRF into their supervisory process.

2.68. After project completion, CBA was able to regularly use the model in its supervisory process, simulate a variety of different scenarios and take policy decisions regarding the banking system based on the results of these different simulations. In addition, CBA is expected to use the model in the areas of risk management and capital planning which will lead to increased capacity of CBA. There seemed to be very good ownership with the CBA, which was satisfied with the output and its dissemination. A presentation was given to the Financial Stability Committee and the model is now fully operational. According to the Completion Summary, the CBA is "happy with the model and the results it produces and will now use the model for day-to-day supervisory purposes."

2.69. ***Bangladesh: Contingency Planning (#10060).*** The project consisted in training staff of the Bangladesh Bank (BB) for capacity building in crises management, including the review of the legal powers, policies and procedures for dealing with and resolving financial crises. This also included an assessment of the adequacy of financial sector safety net arrangements and resources for dealing with a crisis, including internal procedures on utilizing the Crisis Management Fund (CMF) that was set up by the government. The project also included a review of internal and external communication and coordination strategies and recommending actions for improvement and the preparation of a contingency framework.

2.70. A very detailed contingency plan was delivered to BB, including step by step instructions on what to do the first day, first week, first month of a crisis and a detailed coordination and communication strategy. Furthermore, the report provided recommendations on institutional and legal reforms. The project strengthened the policy responses of the BB in case of a crisis. The BB formalized the contingency plan within their authority, and is in the process of implementing some of the institutional reforms. However there is no progress on legal reforms and on improved coordination between agencies and BB's preparedness has not yet been tested as there has been no financial distress event in Bangladesh.

2.71. The project was strategically relevant and timely. The BB took strong ownership of the project and contributed to the high quality of output, which also benefited from the contribution of local legal consultants. Although recommendations on improvement of the legal framework were made, Bank staff noted that BB would have limited capacity to implement them. In summary, although the project was completed on budget and on time, it would have benefited from additional funding and a design which took into consideration additional strengthening of BB crisis staffing and capacity. The likelihood of impact of this project was found to be marginally unlikely.

2.72. ***Costa Rica: Financial Crisis Preparedness Program (#10273).*** The project provided Costa Rican government agencies with a means to test and enhance their practical tools for efficiently managing financial distress and potential systemic crisis through the conduct of an initial crisis simulation exercise. It also sought to strengthen the tools aiming to identify common vulnerabilities across institutions that could undermine the overall stability of a financial system.

2.73. The proposed technical assistance tested, via the carrying out of a Crisis Simulation Exercise (CSE), the response of various government agencies (the Central Bank, the Superintendency of Banks and the Ministry of Finance) to the emergence of serious problems in one or more financial institutions, including the failure of a systemically important bank. The CSE was carried out and several recommendations made to the various local agencies. The Bank team will follow up with the Costa Rican authorities to assess possible areas for further support, which might relate to adjusting the legal framework, defining proper communication strategies in case of a financial crisis and training of local staff. The CSE was both timely and extremely relevant, given the financial context in the country. There was strong ownership and the exercise was carried out with participation of all financial sector authorities. The impact on the various agencies was deemed satisfactory.

2.74. ***El Salvador: 1) Strengthening of Safety Nets (#10200) and 2) Organizational Structure of the Integrated Financial Service Superintendency projects (#10172).*** The El Salvador FSAP completed in 2010, made several recommendations, among other, to reduce the costs of potential future episodes of financial distress by improving preparation of Salvadoran financial authorities to deal with crisis and strengthen the financial safety nets in El Salvador. These two projects were the final ones on a series of activities aimed to achieve these goals.

2.75. Project #10172 developed a detailed organizational structure for the Financial Services Superintendency, including the definition of the responsibilities of each area and interactions with other units. A follow-up technical assistance project (#10200) improved the ability of authorities to coordinate their actions in the event of financial crises and formulated a contingency plan, including manuals and protocols of coordinated actions. However, legal amendments to the El Salvador banking law need to be approved to be able to fully implement the contingency plans. The Salvadorean central bank was very appreciative of the work done and contributed throughout the project, including paying for a seminar to disseminate the output of the TA work. Bank staff felt that client capacity to deal with a crisis was considerably increased as a result of the projects.

2.76. These projects taken together were a good example of follow-up and integration with an earlier FSAP and additional Bank TA projects addressing continuing needs in a timely manner. Local authorities were involved throughout and involved in all aspects of the projects to address local needs. The Central Bank of El Salvador is already using internally the systemic risk monitoring framework developed. Thus there was strong local ownership and good dialogue and dissemination of outputs. Although some manuals apparently still needed to be completed by the conclusion of the project, the impact to the Central Bank and other local agencies was deemed important as now Salvadorian institutions are believed to be much better prepared to monitor and respond to financial shocks. Bank staff also benefited from this successful project both in country and as a learning exercise for other Central American economies.

Financial Infrastructure

2.77. ***Vietnam: Strengthening Public Credit Registry (#8033).*** The objective of the project was to strengthen the public credit registry so that more meaningful and timely credit information could be provided to users. Assistance was provided to the Credit Information Center, the unit of the Central Bank of Vietnam responsible for public credit registry, to prepare an institutional development strategy for the medium term, draft a business plan to carry out the strategic goals thus developed; and build institutional and human capacity to implement the development strategy and the business plan.

2.78. The project helped the Credit Information Center clarify its mandate, fulfill its role in a more effective manner, and improve its institutional and human capacity to collect and analyze credit information. The project came at a very timely moment as Vietnam had become much more de-centralized with the growth of several commercial banks, in conjunction with the expansion of the economy. The inability to provide timely credit information to users was resulting in inefficient and ineffective allocation of resources, and demand for timely and reliable credit information was rising rapidly in Vietnam's credit market. The project produced output necessary to improve the public credit registry and was completed in close collaboration with the Credit Information Center (CIC), a unit of the State Bank of Vietnam. These institutions asked for the TA and collaborated very closely with Bank staff and consultants, resulting in the strengthening of the CIC.

2.79. ***Bangladesh: Strengthening Internal Audit of the Bangladesh Bank (#10201).*** This Project aimed to enhance the capacity of the Internal Audit Department (IAD) at the Bangladesh Bank (BB) for risk-based auditing, as noted in the 2010 FSAP. The project was linked to a Bank project to improve the regulatory regime of Bangladesh including strengthening the local Securities and Exchange Commission. Resulting from the TA, IAD established a risk-based auditing framework.

2.80. In the final IMF memo, it was noted that the IAD made positive and sustained progress in moving away from the previous compliance work to internal control evaluation. There was a project extension, but this did not require additional funding. However, the BB's salary structure constrains its efforts to attract qualified personnel, impacting its ability to improve its IAD capability. The project was timely, with substantial buy-in from the BB. Output was satisfactory, but it is difficult to assess the ability of the

BB to actually implement the recommendations as BB will need institution building and further strengthening in the future.

2.81. ***Kyrgyz Republic: Strengthening the Retail Payment System (#8079).*** The project was to strengthen the retail payments system and the financial system of the Kyrgyz Republic. The management of the National Bank of the Kyrgyz Republic (NBKR) requested TA assistance to enable them to complete work on retail payments that was initiated under a previous IMF supported project.

2.82. The project resulted in the number of transactions cleared in the clearing system increasing 44 percent from 1.7 million in 2007 to 2.6 million in 2008. Their value was 61 billion soms in 2008 compared to 51.5 billion in 2007, an increase of 18.8 percent. Also, monitoring tools for payments were improved and the overall risk in payment systems decreased as guidelines and checks were implemented. However, many of the project objectives were only partially achieved, especially concerning the access of the general population to the banking payment system, which is still very low. The project thus will need some follow-up TA to achieve its outcome objectives fully.

2.83. ***Thailand: Enhancing SEC Audit Assessment Capacity (#8119).*** The main objective of this project was to provide technical assistance for furthering the development of the Securities and Exchange Commission's (SEC) capacity to monitor and enforce the application of high quality accounting and auditing standards in the context of listed companies' financial reporting in Thailand. This project will increase the reliability of financial information with attendant effect on capital market development, financial sector stability, and improved investment climate.

2.84. Consultants provided detailed workflows and methodologies for carrying out monitoring and enforcement activities with regard to the auditing standards and codes of professional ethics, in the context of the audits of listed companies, set up work manuals and organized seminars and training workshops. There was strong ownership from the local authorities. An Audit Quality Monitoring unit was set up as a direct result of the project and was successful in carrying out its functions to the satisfaction of local and international investors alike. Engagement of Bank staff in dialogue with various ministries and parliament officials resulted in excellent understanding of the need for such a unit and implementation of the output. Thanks in part to the TA, the local SEC has made significant progress in monitoring the quality of financial statements and audit of the listed companies, which will be increasingly important in a growing and liquid stock market. The project achieved most of its objectives although it appears that further TA will be needed to enhance the SEC's monitoring and enforcing capability.

Housing and Multisectors

2.85. ***India: Expanding Access to Housing (#7038)***. The FIRST funded technical assistance (TA) for this project was to develop a housing-credit market that offers products suitable for lower income households, based on a market-driven model that is commercially viable in the long run. The World Bank provided non-lending technical assistance on this theme, which was completed in June 2007 with a consultant study funded by the FIRST Initiative. The study proposed options for market players for the development of housing and housing finance solutions targeting low-income groups. The work proposed under the project reviewed here builds on the findings of this original TA.

2.86. The project was initially ranked moderately successful by the TTL, but subsequent analysis indicated that it has been quite instrumental in structuring a World Bank loan in housing for low income families. There were some unexpected "externalities" in that many of the capillary financial institutions that were created by the NHB (National Housing Bank) would not have started their activities as successfully without the assistance of the presentations by Bank staff and consultants. Interestingly, there were several meetings that were not documented but which were very useful to both NHB and the smaller institutions. Overall, the project should be considered very successful as it provided for institution building, laid the groundwork for additional Bank intervention and was both timely and impactful.

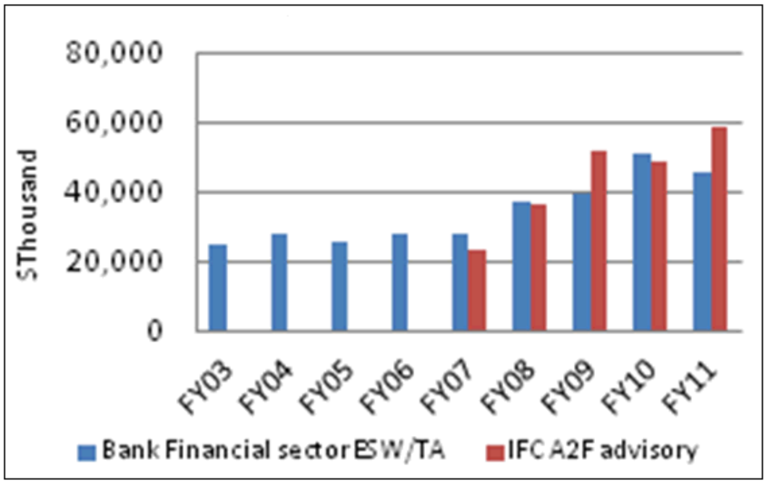
2.87. ***Namibia (IMF): Strengthening NFBI (extension).*** This project provides TA to strengthen the capacity of the Namibia Financial Institutions Supervisory Authority (NAMFISA) to supervise the Non-Bank Financial Institutions (NBFIs). Based on the findings of an initial IMF mission, an action plan was jointly developed to expeditiously upgrade NAMFISA's supervisory capacity. The plan put priority on the need to: review and redraft the Financial Institutions and Markets (FIM) Bill; draft new regulations, guidelines and standards consistent with the new act when it is passed; and strengthen the capacity of the staff to undertake effective offsite surveillance and onsite examinations.

2.88. The project was successful in terms of impact, timing and effectiveness, although further TA work is likely needed to strengthen the capacity of new NAMIFSA staff to apply the institutional arrangements. The output produced was of good quality and efficiently disseminated. There was strong ownership by the local authority and additional projects will undoubtedly continue the cooperation between Fund staff and NAMFISA that already asked for assistance in the development of capital market regulation.

Chapter III: Assessment of FIRST as an Operating Entity

3.1. World Bank lending to the financial sector peaked at $9.1 billion in the crisis year FY 2010, at which time it constituted 15 percent of total lending. In the following year, Bank lending to the financial sector fell precipitously to less than $1 billion, before returning to roughly its pre-crisis level of $1.8 billion per year in FY 2012-13 or 5 percent of total Bank lending. On the other hand, technical assistance to the financial sector is growing rapidly. Reproduced below is a table prepared for an IEG report on trends in Bank support for TA in the financial sector.

Figure 1: Direct Cost (BB+TF) for Bank ESW/TA and Direct Project Expenditures for IFC AS



3.2. Non-lending activities increased at the time of the crisis and then appear to have stabilized at around $40 million per year, roughly double what they were ten years ago. In the IMF and IFC, TA support has rising even more. The Bank relies on contributions from external donors to fund a considerable part of the technical assistance it provides. As of March 2014, of the 261 active TA projects in the financial sector, 89 or one-third were being funded by FIRST. Without FIRST's support, the Bank's program of technical assistance to the financial sector would be considerably smaller.

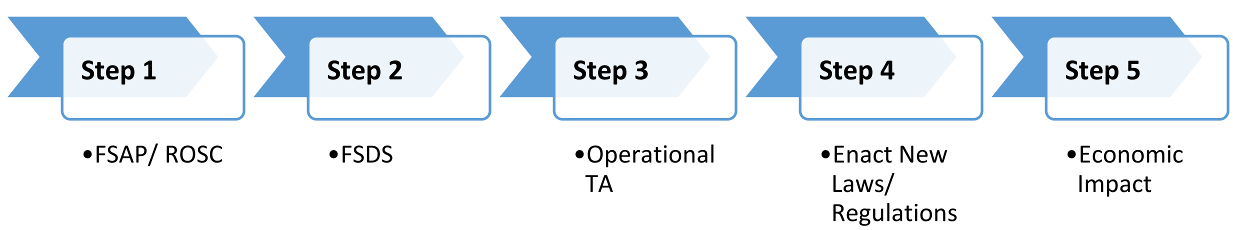
3.3. In interviews—both written and oral—clients and task team leaders identified FIRST as a unique funding source. Both clients and TTLs reported that other donors fund projects on financial inclusion, but almost alone among donors FIRST funds a broad range of TA for financial development including planning studies, legal assistance and institution building. For most of the projects financed by FIRST, TTLs and clients report that finding alternatives would be very difficult.

3.4. This chapter focuses on FIRST as an operating entity. Over the past few years FIRST has made progress in a variety of administrative areas. After a low point in staffing in 2012, FIRST has returned its roster to a full complement of staff. Among the new staff is an officer focused on project monitoring and evaluation. A review of recent proposals indicates an overall improvement in presentation with proposals specifying expected outcomes as well as outputs, client commitment, and relationship of project to financial sector development and other activities including TA projects funded by other donors. A full section of the proposal is devoted to project risks, monitoring and evaluation (M&E), and reporting requirements. The results of the process are better drafted proposals with more clearly specified objectives, greater emphasis on implementation, and a tighter focus on monitoring and evaluation.

3.5. To understand the issues facing FIRST,[21] it is useful to conceptualize technical assistance as a stream of activities. One can well think of this as a log frame or value chain, not at the project level, but at the process level. Each step produces an output which in turn is converted into an outcome at the next stage (see Figure 2). The first step consists of identifying the issues in a country's financial system in need of change through the FSAP/ROSC process. Although not involved in the FSAP process, in the Africa region FIRST frequently funds a follow-on study to the FSAP, namely, a financial sector development strategy (FSDS) that elaborates on issues identified in the FSAP. The FSDS specifies in detailed terms what reforms are needed, lays out the ordering of activities and a timeframe for their completion, and lastly name the agencies responsible for remedial action. Preparation of an FSDS is the second step in the results chain. Conferences on the FSDS' findings often catalyze support from other donors for further steps in the reform process. And of course action may be taken by the clients without further donor support.

3.6. The third stage in the log frame consists of funding consultants to develop solutions to the particular problems identified in stage one and/or two. Outputs in step three are in the form of institution building or drafts of new laws and regulations. In the past, at least with regard to projects providing legal and regulatory support, the value chain ended with handing over the consultants' reports. The next step, actually enacting the recommended law or adopting the regulations can be seen as the outcome from the third stage or the output of a fourth step. In Phase III, FIRST will attempt to push projects more deeply into the fourth stage through its new programmatic grants and through better design and monitoring of its catalytic grants. Applying the new regulations or using the skills learned to supervise financial institutions can be seen as yet a fifth step. Without the final step the impact of the TA process on the economy will be limited. Where possible, FIRST would like to push the TA process through all five stages and then evaluate and measure the impact of the process on financial institutions and the economy. Figure 2 presents the various steps discussed above.

Figure 2: Process for Technical Assistance: Outputs



3.7. The types of projects financed match quite well with the log frame presented above; Strategy/Roadmaps correspond to step 2, legal projects and capacity building to step 3 (Table 1 presents information on the type of project FIRST funded in the last two years of Phase II). This can be used as the framework to discuss the FIRST-related issues. The analysis will focus on: implementation; targets, monitoring and evaluation; data and knowledge management; the grant approval process and operational effectiveness.

[21] The issues discussed apply to most technical assistance projects, not just those funded by FIRST.

Table 1: FIRST Projects by Type[22]

	Capacity Building	Legal	Product Dev	Strategy/ Roadmap
AFR	22	16	1	14
EAP	9	7	0	3
ECA	17	18	1	6
LAC	14	12	1	9
MNA	6	3	1	2
SAR	3	2	0	0
Total	**71**	**58**	**4**	**34**

A. Implementation

3.8. With FIRST-funded projects as with technical assistance in general, implementation of recommended changes, that is moving to steps four and five as described above, has been the weak link in the results chain. Many projects are implemented by governments as planned but others stall at stage three; consultants' reports linger on clients' shelves or new risk based supervisory procedures are not applied. Of the project ratings implementation received poor scores in both the Mid Term and the present review. Implementation lags for many reasons, in some cases because clients were not committed to reform; in others because clients needed further TA for implementation.

3.9. FIRST managers and the Governing Council have been aware of this problem and have taken steps to improve implementation in Phase III. The new programmatic grants covering up to three years of assistance build implementation into the project itself. However, at least half of FIRST funding in Phase III will continue to be for the so-called catalytic projects. As in the past, catalytic grants are designed to end with the completion of the consultant's activities, which with some projects does not include implementation. Following the technical work, some projects take years to bring to fruition. Demutualization of securities exchanges seem to fall in that category. Other projects could be quickly implemented were additional TA available. FIRST has made clear its willingness to fund follow-on implementation activities through additional catalytic grants. Still TTLs report they sometimes lack the resources, access, leverage and even incentive to carry projects into the implementation phase.

3.10. In Phase III, FIRST will undertake M&E of each project, which will include ex-post monitoring of the early phases of implementation, namely intermediate outcomes. It is intended that the M&E procedures be more than passive measures of performance; they are to be coupled with project design to increase the likelihood of implementation. However, when questioned on implementation, TTLs state they lack the resources, access, leverage and even incentive to carry projects into the implementation phase. Introducing an enhanced M&E procedure in Phase III will improve information needed to judge the degree to which projects are implemented, but in and of itself will not change incentives or provide the resources needed to support implementation.

3.11. What should be set as the end point of a FIRST-funded catalytic project? Should it be when the consultant completes his task or when the recommendations have become law? Should it be when the training has been delivered or when the client begins to use the new techniques? There are obvious trade-offs in any approach to this complicated question. This crucial issue affects the design of projects, their

[22] Note that many projects contained components of more than one type; for purposes of this table each component is treated as a project.

funding and their evaluation. FIRST has in the past opted to define the end-point as the time when the consultant completes the assignment, though at the same time offering to fund carry-on activities.

3.12. For selected projects for which the Bank and Fund have been the executing agencies FIRST might assist with further implementation by providing TTLs both the resources and the incentive to carry projects through to the next phase. This could be done in a number of ways, but all would require some modification of present procedures. Probably the most straight forward approach would be to provide small continuing grants to finance project implementation. The grants would be for no more than twelve months' additional support and would be specifically for implementation of an already completed FIRST-funded project. Rather than a full review such grants could be approved quickly by the program manger based on a simple proposal and client letter of request.

3.13. In addition, Starting with an assessment of outcome probabilities and working backwards to design, FIRST might work with Bank staff to reverse engineer some projects to achieve greater impact. One example of a project type considered suitable for redesign is financial sector development strategies. Strategy/roadmap type projects come early in the log frame and hence have less immediate impact than legal projects or capacity building which come later in the value chain. That does not imply that roadmaps have less of an impact in the long run. But many of the past FSDS laid out broad reform plans for the entire financial sector, containing as many as 400 recommendations. Such broad plans with so many recommendations are unlikely to be implemented in a five year period. To prepare plans more likely to be implemented would require a narrower focus, a clearer definition of priorities and a closer identification of the clients' immediate interests in reform.

B. Monitoring, Evaluation, and Targets

3.14. With Phase III, FIRST is implementing a sophisticated monitoring and evaluation procedure both for its programmatic and catalytic projects. The objective is to measure project outcomes and, where feasible, the project's impact on the financial system and the economy (steps four and five in the log frame above). A recent paper was prepared for the Evaluation Cooperation Group summarizing the M&E practices of the international financial institutions; in comparison the M&E procedure FIRST has adopted for Phase III is as advanced as any in use by other international financial institutions.[23] The programmatic grants go beyond monitoring and evaluation of outcomes, actually specifying numerical outcomes/impact targets as part of project eligibility criteria.

3.15. Target setting and M&E procedures should not be treated simply as passive, ex-post measurement techniques. On the one hand, they are an important signaling device of donors' focus on outcomes and impact. On the other hand, they can be an important source of information for the design and selection of future projects. To play that role the information collected in project by project M&E will need to be combined with other information on results (as discussed in the next section) and built into a comprehensive feedback loop that leads to multi-project evaluation and eventually into project design and decision making. If past realities are not incorporated into future designs, M&E systems can become simply window dressing. To be truly useful, M&E systems must be designed to feed ex-post facts into the ex-ante design of projects and the estimation of their risks and the probability of their success.

3.16. Putting hard targets into programmatic grant eligibility requirements certainly indicates the donors' focus on impact. But targets set for a TA project differ from targets set for FIRST, such as the target that 50 percent of grants should go to low income Africa. FIRST has a high degree of control over the allocation of funds, hence the probability that it will meet the donors' target. A task team leader has

[23] Kris Hallberg, "Evaluating Technical Assistance: Taking Stock of the Practices of International Financial institutions" Final Report, December 17, 2012.

much less control over the outcome/impact of a TA project five years down the line. At the project design stage, results are uncertain and the further out the time horizon the greater the uncertainty. Impact may be measureable ex-post, but when used as selection criteria hard targets are both difficult to interpret and difficult to use as eligibility criteria. With regard to interpretation consider the example of a target suggested for use as a selection criteria for programmatic inclusion projects: "Percentage of adults with an account at a regulated financial institution: absolute increase in this indicator of 5 percent after 3 years, and 15 percent after 5 years." Given future uncertainty ex-ante targets must be considered in terms of probabilities. Are the percentages to be interpreted as an "expected" minimum increase (say less than a 20% chance they will not be achieved) or a mean (less than a 50% chance of not being met)? In either case both TTLs and those responsible for evaluation are unlikely to be able to make such an assessment. Rather than eligibility criteria targets should be considered indications of intent ex-ante and criteria against which results would be assessed ex-post.

3.17. Through establishing targets for programmatic grants and an M&E framework for the catalytic projects, donors are directing the executing agencies both to design projects with an eye toward implementation and to put more emphasis and resources into downstream activities dealing with implementation. But some care must be taken to set targets that are realistic and look for outcome measures that are consistent with the time frame for review. For example, it has been suggested that the stringent targets set for programmatic grants are discouraging applications. Furthermore, for catalytic projects, only so much can be accomplished in the six months following a project's closure, when the M&E review will take place. And in the longer run outcomes are dependent on many things other than the FIRST-funded TA project. The steps taken by FIRST to improve implementation are to be commended. But M&E and target setting procedures should not go beyond what is feasible.

C. Data and Knowledge Management

3.18. By allowing FIRST to efficiently track its progress, information/data architecture and knowledge management play an important role in achieving FIRST's objectives. The timeliness and completeness of grant reporting is in need of improvement. Not all projects have project completion reports from task team leaders and many are missing client completion reports. Lack of complete project files complicated the job of project evaluation for this report. This problem will become much more important in the future as FIRST attempts to use its M&E framework to support project implementation. The information collected in M&E will need to be combined with the TTLs' and the clients' completion reports to build a feedback loop that includes the management information system and evaluations encompassing groups of projects. Only then will it be possible to use the information collected to design subsequent operations and assess their probabilities of success. For this FIRST must improve its systems for information gathering, filing, retrieval, and analysis. The review also came across errors in project classification and noted a lack of reliability of the numbers in FIRST Databases. These issues also need to be addressed by FIRST.

3.19. The Strategy for Phase III calls for FIRST to allocate 1.5 percent of its budget for Knowledge Management and Global Thought Leadership. The budget was to cover ten best practice notes per year, evidence based research, flagship reports and consultative group meetings. Twenty months into Phase III, FIRST has produced only one paper and nothing on the other activities. As with projects, FIRST might fund activities conducted by others, but is not itself staffed to carry out such activities. Nor is it staffed to evaluate research proposals. Furthermore, rather than FIRST-funded projects, it would seem more appropriate to use the full panoply of the Bank's TA in the financial area as the basis for research and best practice papers.

D. Grant Approval Process

3.20. Over recent years FIRST has modified its project proposal format and procedures to simplify and streamline the content. Proposals now include sections covering: a) context, b) specific problem, c) outputs, d) causal chain between outputs and outcomes, e) risk, f) outcome indicators, and g) budget. The only section that has grown in recent years is the M&E section enlarged in response to the donors' request. The enlarged M&E section, put in at the donors' request, is meant to enhance the project's quality, logic and ex-post evaluation.

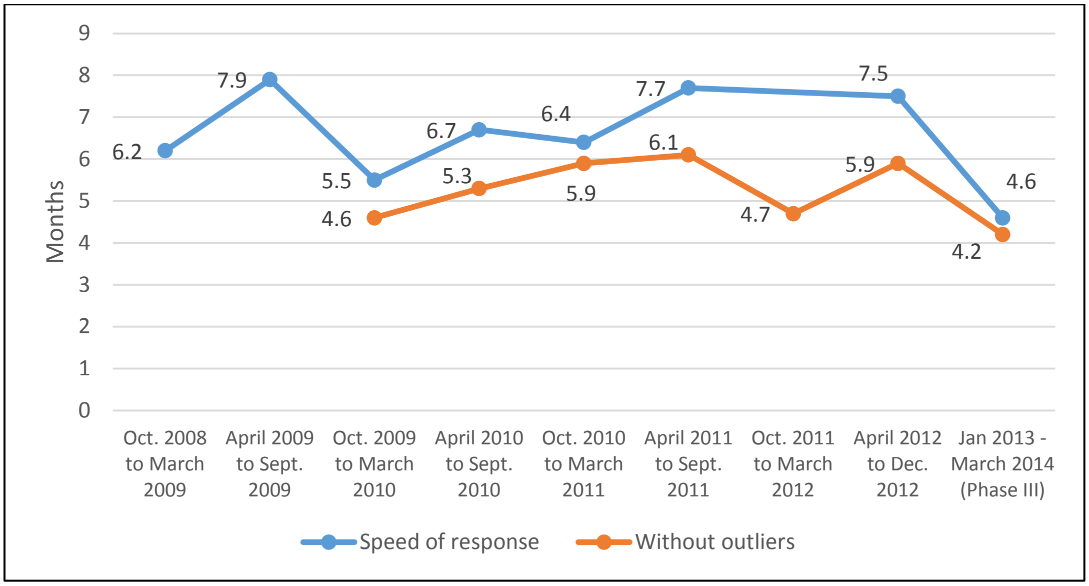
3.21. Before approval a proposal goes through several stages of review. It is first formulated as an inquiry as to eligibility. If eligible, the TTL turns the inquiry into a proposal. The proposal is reviewed by a FIRST project officer who then works with the TTL to produce an acceptable proposal. The revised proposal is then sent to the Project Team for further review; in most cases it is then sent back to the TTL for further revision. Once that revision is completed, the proposal is sent to four peer reviewers, who are likely to request that the TTL make further revisions. The proposal is then sent to the FIRST manager for review and then depending on grant size to the Project Advisory Council and for the largest grants to the Governing Council. Depending on its size, a proposal will go through from six to eight reviews before approval. Along the path the TTL could be asked to revise the proposal as many as five times. The stringent content demands and repeated reviews result in projects that are well specified and well designed.

3.22. Task Team Leaders consider the approval process slow, cumbersome, and demanding of their time.[24] A selection of quotations from the survey of TTL opinions is presented in Annex V-A. To quote one such comment: "Approval/review process can still be streamlined: it is better to send proposals to donors and due diligence at the same time. Also, it would be better for teams to receive feedback from FIRST management committee at one time rather than receiving additional feedback which leads to more iterations and time delays."[25] As shown in Figure 3 on average it takes more than six months to go from inquiry to approval. Even after eliminating projects considered outliers, the average approval time taken is five and a half months and some approvals take as long as one year.

[24] In spite of their criticism, TTLs compared FIRST favorably in comparison to other donors. In the survey of TTLs, 54% agreed that FIRST was quicker to respond that other donors and only 14% disagreed or strongly disagreed with the statement.

[25] In an oral interview one TTL reported his personal experience trying to gain support for a project to assist a troubled bank. The review process took more than one year and by the time the grant was approved, the bank had failed.

Figure 3: Average Time from Inquiry to Approval



3.23. Donors encourage FIRST to follow best practice with regard both to project preparation and review. But best practice must take cost (efficiency) into consideration as well as benefits. From an economic standpoint the optimal amount of time to be spent on preparation is when the marginal costs of more specification and review equal the marginal benefits in terms of increased impact. Certainly it is not easy to know when marginal costs and benefits are equal with the preparation and review of proposals. But at a cost of $5,000 per staff week, the cost of project preparation and review quickly mounts and can become large relative to grant size. At a minimum it would be useful for FIRST to estimate the "all in" cost of preparing grants including the time of TTLs, FIRST staff, peer reviewers, the Project Approval Committee (PAC) and Governing Council (GC). While the process as presently constituted may be appropriate for the programmatic and larger catalytic grants, it does seem both cumbersome and slow for smaller catalytic grants.[26] The current approval process could be simplified for these smaller catalytic grants.

E. Operational Effectiveness

3.24. The overall objective of a stable, inclusive, efficient financial system is shared by the World Bank, IMF, the donors who fund FIRST and the clients. But at a more granular level there can be differences between the donors and the executing agencies. These small but important differences seem minor when viewed within the overall context of the program's objectives, but they are more substantial at the operational level with regard to such issues as project eligibility for FIRST financing, on grant proposal requirements and review procedures, on FIRST's input into project design, on the fraction of grants that can be used to fund Bank staff time, on techniques for monitoring and evaluation, on project completion requirements, etc. Other trust funds face similar problems. In the cover letter for a study of Bank administered trust funds, the Director-General of the Independent Evaluation Group wrote: "The evaluation finds that donors, recipients, and the World Bank have considerable overlapping interests in

[26] It should be noted that FIRST is now able to fund all eligible proposals. Hence the efforts made to improve proposals are only for the purpose of project design, not project selection.

this vehicle, but their interests may diverge on specific issues such as how trust fund allocation decisions are made and how trust funds are governed and managed."[27]

3.25. These differences could be resolved, as the World Bank would prefer, by closer integration of FIRST into the Bank's decision making, budgeting and procedural processes. In fact over time FIRST has modified its business model toward greater integration; still the Governing Council has opted for a business model that maintains a significant degree of independence and separation from the Bank. This duality can create problems for the FIRST manager, who has a fiduciary responsibility to execute the donors' directives while at the same time is a Bank staff member with a reporting line to Bank management, a structure that can lead to conflict when the donors' and the Bank's preference are not congruent.

3.26. Possibly the most important issue is the extent of FIRST's responsibility for project design. Is the role of FIRST simply to set eligibility criteria, leaving all aspects of project design to Bank staff considered to have both the country knowledge and technical expertise? If that is the business model, FIRST would need only a few trained staff to check project eligibility. The primary gain from M&E, for example, lies in its contribution to the design of future projects. The Bank may need, but FIRST would not, a sophisticated M&E process, if FIRST is not to contribute to project design.

3.27. Lending, not technical assistance, has been the Bank's primary focus in the past. Its systems of management, control and evaluation have been built around the lending function. The business model which the donors choose for FIRST should depend in part upon their views whether the Bank has put in place appropriate measures and procedures for quality control of both the TA projects funded out of its own budget **and** those funded from trust funds. As they appear to be in the case of the IMF, if the donors are satisfied with the Bank's procedures for TA selection, design, execution, monitoring and evaluation, a business model with FIRST more integrated with the Bank's activity seems appropriate. But if the donors want a degree of oversight that goes beyond simply determining whether projects meet eligibility criteria, then for operational effectiveness FIRST will require its own staff and the ability to maintain some independence from World Bank control.

[27] IEG "Trust Fund Support for Development Overview," World Bank 2011.

Chapter IV: Surveys of Bank Task Team Leaders and Bank Clients

4.1. As part of the review exercise, World Bank task team leaders (TTLs) and recent Bank/FIRST clients were surveyed on their experience with FIRST grants. Summary results of both surveys are reported upon in this chapter. The surveys themselves, detailed tables summarizing the responses to each question, and a selection of comments from both clients and TTLs are presented in Annexes V-A and V-B.

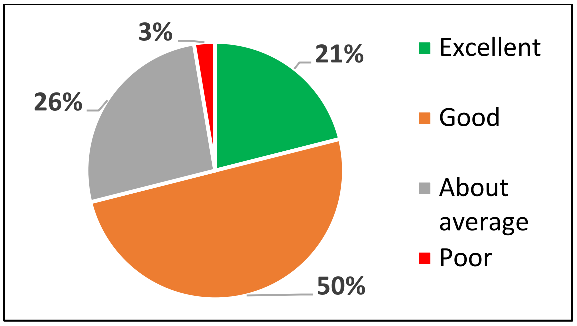
4.2. Of the 90 TTLs surveyed, 42 percent responded. To encourage frank replies, the responses were anonymous. Of the 109 client institutions sent survey documents, again 42 percent responded. This is almost identical to the 40 percent response rate of the survey of clients conducted for the Mid-Term Review (MTR). Though the response rate was somewhat disappointin**g,** 37 recipient countries are represented among the respondents.

4.3. For most questions the surveys allowed for responses on a five point scale[28] together with an answer indicating no response. For this summary, the percentage ratings have been aggregated in the two top evaluative categories (strongly agree and agree) and in the two bottom categories (disagree and strongly disagree). Additionally, for this purpose, responses of "neither agree nor disagree" and "question not relevant or don't know" have also been eliminated. For questions in the client survey that are similar to those asked in the MTR, the comparative data is reported in the Annex. In fact, the percentage distribution of answers are very similar in the MTR and this survey, and one should not attempt to draw conclusions from small differences.

A. Survey of TTLs

4.4. The answers indicate that the TTLs' overall experience with FIRST was quite positive. In response to the question on their overall experience 21 percent of TTLs scored their experience as excellent, 50 percent as good and less than 3 percent considered it poor (see Figure 1 below). A second question provided additional information on the overall experience: 62 percent of respondents considered FIRST a better partner than other possible sources of TA finance and only 3 percent rated it a poorer partner. In personal interviews TTLs repeatedly stated that access to FIRST funds was essential to their work as funding from other sources did not cover many of the areas that FIRST was willing to finance.

Figure 1: TTL Overall Experience with FIRST Financing



[28] Respondents were asked to check whether they strongly agreed with the statement made, agreed, neither agreed or disagreed, disagreed or strongly disagreed. They could also respond that they did not think the comment was applicable to their project. And a few respondents provided no answer to some questions.

4.5. *Procedures:* Seventy-one percent of TTLs considered FIRST's procedure for choosing projects to fund quite clear; only 8 percent found them unclear. Application procedures were considered to be straightforward by 79 percent of respondents and only 8 percent responded negatively. When asked to rate FIRST in comparison with other donors, 41 percent ranked FIRST's procedures simpler than those of other donors', while 16 percent considered them less simple; on flexibility 32 percent considered FIRST more flexible than other donors, and only 19 percent considered it less flexible.

4.6. *Response Time:* With regard to the time taken by FIRST between application and approval, the responses were favorable, but not as favorable as on procedures: 43 percent of respondents considered the time taken to be satisfactory, but 16 percent considered it to be too slow or inconsistent. However, when asked in another question to compare FIRST's approval time to that of other donors, 54 percent of respondents considered FIRST faster to react than other donors and only 13 percent consider FIRST to be slower. In personal interviews, delay in response time was the most frequent problem cited by TTLs. In fact several TTLs commented that during Phase I the response time had been much shorter, normally 6 to 8 weeks. Recently, approval times have averaged six months, but can run as long as one year. TTLs cited delays in the peer review process. One TTL suggested that, as with Bank projects, a peer reviewer should be given a deadline of no more than 10 days in which to respond.

4.7. *Funding of Bank Staff Time and Travel Costs:* The funding provided by FIRST to cover Bank staff time and expenses continues to be a source of controversy. In the past, FIRST had strict limits on the amount of project budget that could be spent for Bank staff salaries and expenses. Staff felt that the amount provided was inadequate and did not even cover adequately project supervision. TTLs reported that Bank budget was being used to subsidize FIRST projects, rather than the other way around. Furthermore, they argued that there were Bank staff who were more skilled than outside consultants, but because of the budget restrictions on funding Bank staff time, they were unable to use these people on their projects. In recent years FIRST has relaxed its funding restrictions considerably. However, some TTLs continue to cite this as a problem, possibly because they are unaware of the change and their responses hark back to the earlier period. It is on this issue that FIRST receives the lowest ratings: while 45 percent of TTLs gave a favorable rating to funding of staff time, 31 percent ranked FIRST's performance negatively in this area. If all the responding TTLs were familiar with current practices, the positive ratings would likely have been higher.

4.8. *Alternative Funding Sources:* TTLs were asked about the ease of finding alternative sources to FIRST to fund their TA projects. Of those responding to this question, 74 percent indicated that it would be difficult or very difficult to find an alternative source to FIRST funds. Only 8 percent thought it would be easy. In response to further questioning on this subject, some TTLs said finding alternative sources of funding was country and case specific. It would be very hard for them to fund diagnostic work from other sources. However, once a specific TA assignment had been identified, finding alternatives became somewhat easier. TTLs named specific sources that for particular projects might be an alternative to FIRST: namely, Korea Trust Fund, Swiss-SECO, Swedish-SIDA, Australian-AID, Russian Trust Fund, Dutch bi-lateral assistance, and the Global Index Insurance Facility.

4.9. *New Programmatic Window:* TTLs were asked if they were aware of FIRST's new program in Phase III to fund multi-year, comprehensive TA programs. Of TTLs, 68 percent reported they were aware of the new program; 32 percent were not. To date clients have made less use of the programmatic window than expected. In part this may represent lack of familiarity with the new funding mechanism.

B. Survey of Clients

4.10. *Level of Satisfaction:* FIRST management and donors can take considerable satisfaction in the very high level of positive responses.[29] Of client responses, 98 percent reported that their project was very important or important for improving their financial system and 92 percent expressed themselves as very satisfied or satisfied with the results; only 5 percent were unsatisfied. As the table in the Annex shows, this is somewhat higher than in the MTR, primarily because at the time of the MTR many projects surveyed were yet to be completed. On the recent survey, only two of the respondents reported themselves dissatisfied. For these two projects many questions received a low rating, indicating a general dissatisfaction.

4.11. *Assessment of Bank/FIRST Performance:* Ninety-seven percent of respondents reported that the Bank/FIRST had responded speedily to their request. This is surprising because only 43 percent of TTLs reported themselves satisfied with the speed with which FIRST responded, and in interviews TTLs frequently complained about the slow approval process. It is unknown whether the difference represents a bias in those who responded to the surveys or that the clients are more tolerant of the approval time than the TTLs. The Bank/FIRST were given high marks for responding to problems that developed during implementation with 89 percent of clients satisfied and only 5 percent dissatisfied.

4.12. Interestingly, only 33 percent of clients reported their project was linked to an FSAP. This is considerably less than that reported by the Bank TTLs and FIRST, which report that 63 percent of projects are FSAP linked. A large number of respondents (44%) did not answer this question and this could account for the difference. The client survey results indicated that 3 percent of projects were linked to Bank loans and 31 percent to other TA projects. One surprising finding was that the clients considered that the Bank initiated the project in 46 percent of cases and the government in only 12 percent, though 42 percent reported they did not know who initiated the project. While it is a bit unclear what the clients understood by this question, the answers suggest that the clients frequently see the Bank rather than themselves as the initiator of the projects.

4.13. Clients more frequently interface with the Bank rather than with FIRST itself. This has led to some concern that the clients really do not understand the role played by FIRST in funding the projects from which they are benefitting. Hence we enquired in the survey on the respondents' familiarity with FIRST: 68 percent reported they were very familiar; 26 percent reported themselves somewhat familiar, and 5 percent said they were not at all familiar.

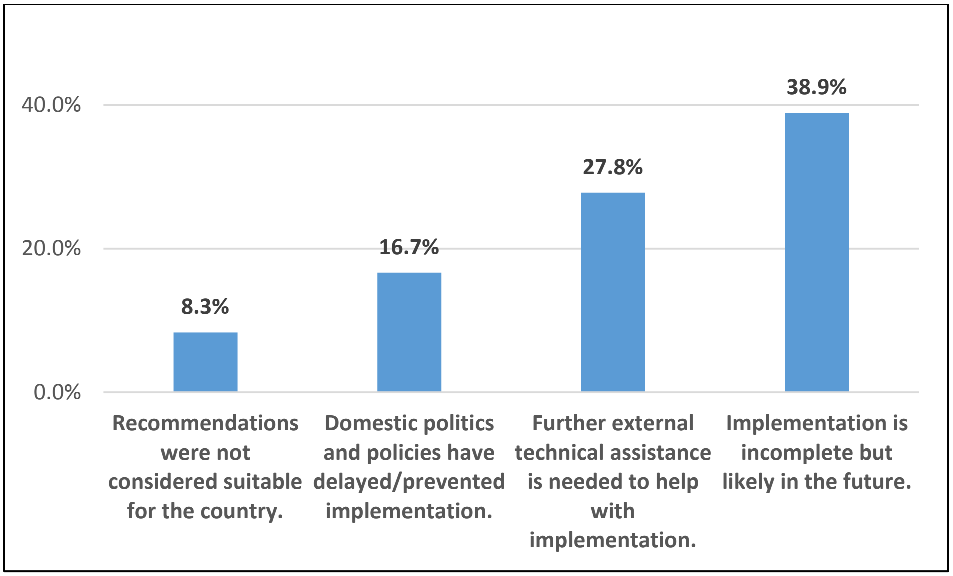
4.14. *Consultants:* With regard to the consultant chosen, 97 percent of client respondents reported that the consultant was well qualified, and only one respondent disagreed. With some delay the Bank did come to understand the problem and replaced the consultant. Ninety-five percent reported that the consultants took into account the clients' comments on the project's design.

4.15. *Outputs and Implementation:* With regard to outputs, 87 percent of clients reported that the project produced all of the deliverables they expected; only 8 percent thought that was not true. Eighty-two percent were satisfied that their agency had the capacity to implement the project; only 3 percent thought that unlikely. Eighty-seven percent were pleased with the dissemination procedures; 3 percent were not.

4.16. While outputs are satisfactory, implementation is more questionable. The clients reported that in 62 percent of the projects the recommendations had been fully implemented. In 23 percent, there was some implementation, and in 8 percent of projects there was no implementation. Figure 2 presents some of the reasons given for the lack of implementation.

[29] Answers to surveys are subject to self-selection bias. It is possible that those who considered themselves as benefitting significantly from the FIRST-funded projects were more likely to respond.

Figure 2: Reasons for Lack of Implementation



4.17. However, in response to another question, 75 percent of clients reported they would need further assistance from FIRST or other donors to follow up on the project, while only 8 percent felt that further support was not needed. Of those respondents who felt that some changes were needed to make the recommendations applicable, 79 percent thought their agency could make the necessary changes, while only 5 percent did not think that possible.

4.18. *Alternative* Funding *Sources:* Had FIRST funding not been available, 67 percent of clients reported that they would have had a very difficult time finding other funding sources. Only 5 percent thought it would be easy to find other donors. The TTLs gave a similar response: 74 percent said it would be difficult to find other sources of funds and only 8 percent thought it would be easy. This was confirmed in personal interviews. FIRST funding is close to unique. Other sources of funds exist in some cases, particularly for projects promoting financial inclusion. However, for general analytic studies and the more technical areas of law, regulation, and accounting, FIRST is the "best and sometimes only" funding source.

Chapter V: Findings and Recommendations

Findings

5.1. In the five years prior to the financial crisis of 2008-2010 the World Bank made five loans per year in the financial sector. In the last five years the number of new loans has more than doubled to 12 per year on average. Even at the current rate a country which is an active borrower from the Bank can expect to receive one new loan to the financial sector every five years. The Bank is far more active in the field of TA with roughly 180 new operations per year. On the country level that averages to about three projects per year of which one will be FIRST financed. Today the interface of the Bank and the clients is much more in the form of TA than loans.

5.2. First funds projects; the World Bank and the IMF are the executing agencies. FIRST must act in consort with the executing agencies if it were to implement the changes to projects suggested below. Only projects funded by FIRST have been reviewed. Therefore we are unable to generalize the findings and recommendation to TA projects funded from other sources. However, we believe most of the recommendations to be more broadly applicable.

5.3. **Achievement of Objectives**: All of the projects reviewed achieved their primary outputs but not all had the desired impact on the financial system and economy. For many projects the impact had already been substantial and for others it was likely to materialize over time. However, for some projects implementation of recommendations has been delayed either as a result of lack of in-country consensus on the recommendations or because additional technical assistance was needed for implementation.

5.4. **Relevance**: In all but a few instances the projects were found to be relevant. In one instance a project was approved when it had been rated as low-priority by a Financial Sector Assessment Program (FSAP). In turn the country involved gave low priority to the implementation of the recommendations. In other instances projects were approved when the country conditions were not conducive to success. The client surveys indicate the clients considered that the Bank initiated the project in about half of cases and were responsible for project design. Nevertheless, in the projects reviewed there was clear indication of client ownership. However, in some instances important stakeholders were not committed and this affected project outcomes.

5.5. **Output Quality**: The projects were well designed, competent consultants recruited and high quality outputs produced. Findings were usually strategically relevant and recommendations appropriate. However for many of the Financial Sector Development Strategies (FSPS), the number of recommendations was excessive and not commensurate with countries' absorptive capacity and implementation ability. Also, the ten year time horizon for the implementation of the recommendations of some FSDS was found excessive given the rapidity with which financial sector issues evolve.

5.6. **Complementarity of FIRST Activities**: The review found significant evidence of complementarity between FIRST and other donor activities. Other donors were likely to pick up projects identified in FSDS. In Rwanda for example a number of donors have been providing TA support that is different but complementary to the FIRST funded projects.

Case Studies

5.7. **Institution Strengthening**: The Rwandan projects constitute an example of institutional strengthening. The FIRST funded projects have had significant impact. However, in the longer run the effort to strengthen regulation and supervision at the National Bank of Rwanda could be imperiled by the Bank's labor practices.

5.8. **Financial Strategies**: Financial sector development strategies (FSDS) can make a significant contribution through closer delineation of FSAP proposals or as a substitute in the absence of an up-to-date country FSAP. But consideration should be given to the design of FSDS.

5.9. **Capital Markets**: In all five capital markets the outputs produced by the consultants were of high technical quality. Judged in terms of outcomes, the picture is more mixed. The proposed laws were enacted by the governments in Azerbaijan and Morocco. In Sri Lanka and Nigeria demutualization of the stock exchanges has been delayed but is likely within the next two years. In Belarus the project is not likely to have a positive outcome any time soon. The expected impact on the financial markets of these five projects is even more difficult to assess, as even in the case of Azerbaijan where the impact is clearly positive, it will take longer than expected to realize. The very substantial delays between output and impact suggest how difficult it will be for future evaluation reviews to capture a project's full impact.

Operational Issues

5.10. **Implementation**: With FIRST funded projects as with technical assistance in general, implementation of recommended changes has been the weak link in the results chain. Implementation of operational TA (as distinct from development strategies) lags for many reasons, but the two most important are lack of consensus on reform and lack of knowledge and capacity to implement recommendations. Better selectivity at the inception stage may help with the first and additional TA support after project completion may help with the second. The new programmatic grants covering up to three years of assistance will build implementation into the project itself.

5.11. **Monitoring, Evaluation, and Targets**: In Phase III, FIRST is implementing a sophisticated monitoring and evaluation system for both its programmatic and catalytic projects. To be truly useful M&E systems must be designed to feed ex-post facts into the design, estimation of probably success and selection of projects ex-ante. At the project design stage, results are uncertain and the further out the time horizon the greater the uncertainty. Impact may be measureable ex-post, but hard targets when used as selection criteria are both difficult to interpret and difficult to use as eligibility criteria.

5.12. **Data Management**: Lack of complete project files complicated the job of project evaluation for this report. Data management will become much more important in the future as FIRST attempts to use its M&E framework to affect project design. The information collected in M&E will need to be combined with the TTLs' and the clients' completion reports to build a feedback loop that will feed into project design and approval.

5.13. **Grant Processing**: Donors have encouraged FIRST to follow best practice with regard both to project preparation and review. The stringent content demands and repeated reviews result in projects that are well specified, though subject to the issues noted above. However, TTLs consider the approval process slow, cumbersome and demanding of their time. On average, project approval has taken more than six months.

5.14. **Operational Effectiveness**: The overall objective of a stable, inclusive, efficient financial system is shared by the World Bank, IMF, the donors who fund FIRST and the clients. But at a more granular, operational level there are differences between the donors and the World Bank on project eligibility for FIRST financing, on grant proposal requirements and review procedures, on FIRST's input into project design, on the fraction of grants that can be used to fund Bank staff time, on techniques for monitoring and evaluation, on project completion requirements, etc. Possibly the most important issue is the extent of FIRST's responsibility for project design. As it does with the projects it funds for the IMF, is the role of FIRST simply to set eligibility criteria, leaving all aspects of project design to Bank staff considered to have both the country knowledge and technical expertise? If that is the business model, FIRST would need only a few trained staff to check project eligibility.

Recommendations

- *Projects designed to strengthen an institutions must both ask and then address the question of why the institution is weak. Training may not be enough, if existing policies and practices undermine the institutions' strength.*
- *Given the limited capacity of countries to determine priorities and implement improvements, a smaller, better prioritized set of recommendations would seem more appropriate with regard to financial sector development strategies. Too broad a strategy with too many recommendations may divert attention from the real priorities for reform. A time horizon of five years for FSDSs would seem appropriate given the rapidity with which financial sector issues change. If FSAPs are no longer conducted in small countries in a timely manner, FIRST should consider funding more FSDS.*
- *In reviewing grant applications, FIRST should consider suitability and timing as well as eligibility.*
- *Assessment of consensus and commitment among key stakeholders as well as an assessment of the country's ability to implement recommendations should be considered at the time of approval.*
- *For operational catalytic projects not covering implementation, FIRST should consider providing TTLs short, small, quickly approved grants to carry projects through to the implementation phase. Such grants would be for no more than twelve months' additional support and would be specifically for implementation of an already completed FIRST-funded operational project.*
- *FIRST needs to put in place M&E procedures that are realistic in terms of measuring outcomes and impact and consistent with the time-frame for measurement. Rather than eligibility criteria for programmatic grants, hard targets should be considered as indicators of intent ex-ante and criteria against which results would be assessed ex-post.*
- *FIRST needs to improve its systems for information gathering, filing, retrieval, and analysis. It also needs to improve the accuracy of the classification of its project as well as the reliability of information in its databases. The full panoply of Bank TA in the financial area, rather than only FIRST-funded projects should be the basis of research and best practice examples.*
- *FIRST needs to review the project approval process with the objective of reducing both the overall approval time and the man-months involved with project processing. The current approval process could be simplified for smaller catalytic grants. The steps in the approval chain might be reduced for some projects by increasing the size of projects that the program manager could approve.*
- *The business model which the donors choose for FIRST should depend in part upon their views of whether the Bank has put in place appropriate quality control mechanisms and procedures for the TA projects funded out of its own budget* ***and*** *those funded from trust funds. If the donors are satisfied with the Bank's procedures for TA selection, design, execution, monitoring and evaluation, a business model more closely integrating FIRST with the Bank's activity seems appropriate. But if the donors want a degree of quality control that goes beyond simply determining whether projects meet eligibility criteria, then for operational effectiveness FIRST will require its own staff and the ability to maintain some independence from World Bank*

control.

Terms of Reference

FIRST's Phase II Program Completion Review

1. Background and Purpose

The Financial Sector Reform and Strengthening Initiative (FIRST) is a multi-donor grant facility that funds technical assistance (TA) to promote financial sector development in the low- and middle-income countries. FIRST was launched in 2002 by the Canadian International Development Agency (CIDA), the Department for International Development of the United Kingdom (DFID), the International Monetary Fund (IMF), the Ministry of Foreign Affairs of the Netherlands, the State Secretariat for Economic Affairs of Switzerland (SECO), the Swedish International Development Cooperation Agency (SIDA), and the World Bank. In 2009, FIRST welcomed two more new donors: Germany's Federal Ministry of Economic Cooperation and Development (BMZ), and the Ministry of Finance of Luxembourg. FIRST is currently managed by a program Management Unit (PMU) based at the World Bank's headquarters in Washington, DC.

FIRST's overall objective is to help strengthen financial systems in low- and middle-income countries by focusing on delivering high-quality short- and medium-term TAs. FIRST funds TAs in the areas of financial sector regulations, strategy development, oversight capacity building, and implementation of international standards and codes as recommended by the WB/IMF's Financial Sector Assessment Programs (FSAPs) or Reports on Standards and Codes (ROSCs). FIRST's TAs are in a wide spectrum of financial sectors, including but not limited to *Access to Finance, Accounting and Auditing, Banking, Payments, Clearing and Settlement Systems, Credit Information Systems, Capital Markets, Financial Sector Strategy, Housing Finance, Insolvency Regimes, Insurance and Other Non-Bank Financial Institutions, Pension Funds.* FIRST's TA recipients are limited to government agencies, regulatory bodies, policy makers, and under limited circumstances – quasi-public institutions such as self-regulating organizations. For more information about FIRST, please visit its website at www.firstinitiative.org.

As at December 2012, FIRST completed its 10 years of operations or two five-year phases (2002- 2007 and 2007-2012) with 469 projects approved for a total value of $88.8 million in 107 low and middle income countries. Incorporating lessons learned and feedback from the recent independent evaluation conducted in May 2011, FIRST's donors adopted a modified business model and launched Phase III in January 2013 for another five-year cycle until December 2017.

This **Program Completion Review** is intended to provide FIRST's donors and the PMU an independent assessment and validation of Phase II's results to serve the accountability and learning purposes. The Consultant(s) should conduct this Review in cognizance of the fact that Phase III has already been launched with a modified business model and an enhanced focus on Monitoring and Evaluation and Knowledge Management functions.

2. Scope and Questions

This Review is expected to cover FIRST's operational results and fund usage in Phase II, from March 2007 to December 2012 with 275 approved projects for the total commitment of US$63.8 million. Of the approved projects, 101 are still being implemented and expected to complete by December 2014, and among the completed projects 40 were reviewed by a mid-term evaluation conducted in May 2011.

The Consultant(s) will make an independent assessment and validation of (i) the achievement of the development objectives, i.e., outcomes and impacts at project level as well as the trust fund level; (ii) relevance of TAs and outputs quality; (iii) additionality; and (iv) operational effectiveness and fund utilization. The Consultants will also draw lessons learned that would be incorporable into its newly launched Phase III's operations under a modified business model. These lessons might be drawn around areas such as project governance and operational processes, project risk management, objective statement, target setting, TA scope and design, etc. The Consultant(s) will develop recommendations and actions for the future monitoring of Phase III portfolio as needed. Questions guiding the Review and Validation are as below:

a. *Achievement of Project and Program Development Objectives*

  i. To which extent have Phase II projects, on the basis of the indicators identified in the project documents, achieved the outputs, outcomes and impacts foreseen? To which extent has FIRST contributed in its countries of operations to the goal of more stable, more efficient and more inclusive financial systems?

  ii. To what extent has FIRST successful in catalyzing further reforms?

b. *Relevance and Output Quality*

  i. To what extent has FIRST been demand-driven and responsive to Clients' requests?

  ii. Have FIRST's technical assistance and deliverables to Clients been technically adequate solutions to the problems Clients faced?

c. *Additionality*

  i. To what extent has FIRST been consistent and complementary with other donors' activities?

d. *Operational Effectiveness and Fund Utilization*

  i. How well does the current project management and governance work? What has been done well and should continue and what are the areas that need improvement?

  ii. How would FIRST's efficiency be rated and/or compared with other donors' interventions? What could be done to increase the efficiency?

  iii. Has the distribution of Phase II grants been consistent with its regional focus and FSAP, ROSC linkage targets?

e. *Lessons Learnt and Knowledge Management*

  i. What worked well and what should be done differently in terms of project design, risk management, stakeholder coordination, etc.?

  ii. What are the critical factors that make the Trust Fund successful in achieving the goal of financial sector development?

  iii. What are the policy questions that have emerged from the Review? What worked in one country but not in other country? What intervention approach (hypothesis) should be re-tested?

3. Methodology

This Review would rely on the following methodology:

(i) *Document Review*: The Consultant(s) will review FIRST's Charter, Strategy, Operations and Financial Reports, Project Proposals, Completion Reports, Consultant Reports, Mid-term Evaluation, and other information sources as needed to produce the analysis for this Review;

(ii) *Interviews*: The Consultant(s) will conduct face-to-face or phone interviews with relevant stakeholders, including donor's representatives, World Bank and IMF staff, Task Team Leaders and Project Officers, Finance Officer. The Consultant(s) will also conduct phone interviews with Clients as needed to find missing information in Project Completion Reports. The development of Case Studies (see below) might require both face-to-face and phone interviews with Client(s);

(iii) *Client Survey*: The Consultant(s) will design and manage the Client Survey of Phase II grant recipients. FIRST can provide support in sending out email survey if the Consultant(s) determine that it is relevant.

(iv) *Case Studies*: The Consultant(s) will develop at least three case studies to provide insights for learning purposes. The criteria for selecting Case Studies will be developed jointly by the Consultant(s) and FIRST during the Inception Report Phase. Overall, the Case Studies are intended to tell stories at country level and/or sector level, about what worked well, what should be done differently, and how FIRST's results are related to overall progress made in the target countries towards more stable, more efficient and more inclusive financial systems.

The Consultant(s) are welcome to comment on the above proposed approach for this Review and will be responsible for developing a detailed methodology, including the development of the performance indicators, rating scheme if needed, Client Survey Questionnaire, Interview Guide, sampling, and data analysis strategies. The full methodology developed by the Evaluator(s) will be elaborated in the Inception Report that would be circulated to FIRST's donors for comments/approval before the fieldwork begins.

4. Deliverables and Timeline

(i) An Inception Report, detailing the proposed methodology, data collection instruments/questionnaires for both Client Survey and face-to-face or phone Interviews, and a list of interviewees, schedule for interviews, data requirement by **December 31st, 2013**.

(ii) A draft report (with three Case Studies) should be shared with FIRST by **March 24th, 2014**

(iii) The final report (with three Case Studies) should be submitted to FIRST by **April 14th, 2014**.

Detailed Tables on FIRST Commitments

Table 1: Commitments by Number and Value by Period and Region

	Phase I			Phase II (MTR)			Phase II (Post-MTR)			Phase II (Total)		
	# grants	Commitment US $m	% of total commitment	# grants	Commitment US $m	% of total commitment	# grants	Commitment US $m	% of total commitment	# grants	Commitment US $m	% of total commitment
Africa	95	15.02	37%	56	11.99	40%	50	11.9	42%	140	25.74	41%
East Asia and Pacific	24	5.79	14%	11	2.54	9%	14	3.58	13%	42	7.62	12%
Europe and Central Asia	44	7.16	18%	25	6.33	21%	27	6.71	23%	64	13.08	21%
Latin America and Caribbean	39	6.64	16%	18	3.88	13%	23	3.49	12%	49	7.51	12%
Middle East and North Africa	12	1.65	4%	12	2.10	7%	8	1.84	6%	25	4.13	7%
South Asia	20	3.14	8%	13	3.07	10%	7	1.12	4%	26	4.15	7%
Worldwide	5	1.08	3%	1	-	-	0	0	0	3	0.49	1%
Total	239	40.48		136	29.91		129	28.65		349	62.70	

Table 2: Percent of Total Grants to Africa by Fiscal Year

FY08-09*	FY10-mid FY11	midFY11-FY12	FY13**
40	43	44	23

* Includes 3 grants from FY07

**Through February 2013

Table 3a: Distribution of Grants by Region and Sector, Phase II – Mid-Term Review, Percent of Total Sector

	Banking	Financial Infrastructure	Multi-sector	NBFIs	Total
AFR	36	32	88	31	40
EAP	11	16	0	7	9
ECA	22	16	6	18	18
LAC	15	26	0	11	13
MNA	13	0	0	13	10
SAR	4	11	6	18	10
Global	0	0	0	2	1

Table 3b: Distribution of Grants by Region and Sector, Phase II – Post Mid-Term Review, Percent of Total Sector

	Banking	Financial Infrastructure	Multi-sector	NBFIs	Total
AFR	35	36	100	33	39
EAP	17	12	0	6	11
ECA	23	28	0	19	21
LAC	13	16	0	27	18
MNA	6	4	0	8	6
SAR	6	4	0	6	5

Table 4: Grants by Sector and Sub-sector, 2011-12

	% of total commitment
Banking	34
Crisis Preparedness	11
Islamic Banking	1
Legal Framework	1
Prudential regulations and supervision	17
Resolution Regimes	4
Financial Infrastructure	19
Accounting & Auditing	6
Collateral Registries	1
Credit Reporting	1
Payment Systems	10
Multisectors	9
FSDP	9
NBFIs	38
Capital Markets	8
Housing Finance	1
Insurance	20
Leasing	1
Microfinance	4
Pensions	2
Prudential regulations and supervision	1

Projects Reviewed[30]

Case Study	Executing Agency	Country	Title	Sector	Theme
Rwanda	WB	Rwanda	Impl. Risk-based On-site #10071	NBFI	Insurance
	WB	Rwanda	Spn of Savings and Credit #10190	NBFI	Microfinance
	IMF	Rwanda	Bank Supervision Capacity Building MCM_RWA_2011_01	Banking	Prudential regulations and supervision
	IMF	Rwanda	Bank Supervision Capacity Building MCM_RWA_2011_02	Banking	Prudential regulations and supervision
	WB	Rwanda[31]	Finan Sector Devt Plan II #10187	Multisector	FSDP
Capital Markets	WB	Azerbaijan	Azerbaijan: Capital Mkt Dev. #9058	NBFI	Capital Markets
	WB	Belarus	Post FSAP Support for Securities Market Development #9027	NBFI	Capital Markets
	WB	Morocco	Intro to Covered Bonds #10007	NBFI	Capital Markets
	WB	Sri Lanka	Amendment to SEC Act #10158	NBFI	Capital Markets
	WB	Nigeria	Enhancement the Cap of SEC #10073	NBFI	Capital Markets
FSDP	WB	Mauritania	Financial Sector Development Strategy #10028	Multisector	FSDP
	WB	Mozambique	Financial Sector Development Strategy #10170	Multisector	FSDP
	WB	Botswana	Fin. Sector Devt Strat #10043	Multisector	FSDP
	WB	Tajikistan	Post FSAP Financial Sector Legal and Regulatory Reforms and Strategy Development. #7080	Multisector	FSDP
Banking	WB	Ukraine	Planning and Implementing Bank Resolution at Deposit Guarantee Fund #10323	Banking	Resolution Regimes
	WB	Costa Rica	Costa Rica Financial Crisis Simulation Program #10273	Banking	Crisis Preparedness
	WB	El Salvador	#10200 Strength Safety Nets, and #10172: Organizational Structure of the Integrated Financial Service Superintendency	Banking	Prudential regulations and supervision
	WB	Bangladesh	Contingency Planning #10060	Banking	Crisis Preparedness
	WB	Nepal	Problem Bank Resolution #10245	Banking	Resolution Regimes
	WB	Azerbaijan	Oper. Sys Risk Resp Fr #10205	Banking	Crisis Preparedness
	WB	Philippines	Enhancement of Insurance Reserves Targeting Framework & Amendment to PDIC Charter #10144	NBFI	Insurance
	WB	Uganda	Strengthening Banking Regulation and Supervision Strategic Roadmap for Reform and Implementation Program #10234	Banking	Prudential regulations and supervision
Infrastructure	IMF	Kyrgyz Republic	Retail Payments	Financial Infrastructure	Payment Systems
	IMF	Bangladesh	Strengthening Internal Audit #10201	Financial Infrastructure	Accounting & Auditing
	WB	Vietnam	Public Credit Registry #8033	Financial Infrastructure	Credit Reporting
	WB	Thailand	Enhancing SEC Audit Assessment Capacity #8119	Financial Infrastructure	Accounting & Auditing
Non-CM NBFI	WB	Albania	Liberalizing MTPL Insurance Market #10151	NBFI	Insurance
	WB	India	Expanding Access to Housing #7038	NBFI	Housing Finance
	IMF	Namibia	Strengthening Non-Bank Financial Institutions Supervision – plus Extension	NBFI	Prudential regulations and supervision

[30] The list of projects for review was revised with agreement from FIRST after the inception report.
[31] This project was also included in the FSDP case study.

Aggregate Ratings

#	Question	N	% HS, S	% MS	% MU, U, HU
	Overall Rating	29	55	24	21
1	**Strategic Relevance and Timeliness**	29	76	7	17
2	**Ownership**	29	79	14	7
3	**Quality of Outputs**	29	79	14	7
4	**Dialogue and Dissemination**	29	86	10	3
5	**Bank/IMF Inputs and Processes**	29	79	17	3
6	**Likely Impact/Outcomes**	29	59	21	21
7	**Client Satisfaction**	27	85	7	7

Rating Scale:

1. Highly Satisfactory (HS) - Excellent practice in most respects and no significant deficiencies
2. Satisfactory (S) - Satisfactory or better in all respects
3. Moderately Satisfactory (MS) - Satisfactory on all key aspects but significant missed opportunities
4. Moderately Unsatisfactory (MU) - Significant deficiencies in a few key aspects
5. Unsatisfactory (U) - Significant deficiencies in several key aspects
6. Highly Unsatisfactory (HU) - A broad pattern of deficiencies

NA Not Applicable

TTL Survey Questions and Responses

Question 1: Please specify which region or anchor you represent.

	Response Count
answered question	34
skipped question	4

Question 2: How many projects have you done with FIRST funding?

	Response Percent	Response Count
Less than three	47.4%	18
Three to six	34.2%	13
More than six	18.4%	7
answered question	38	
skipped question	0	

Question 3: FIRST's criteria for choosing projects to fund are clear.

	Response Percent	Response Count
Strongly agree	15.8%	6
Agree	55.3%	21
Neither agree nor disagree	21.1%	8
Disagree	7.9%	3
Strongly disagree	0.0%	0
Question not relevant or don't know	0.0%	0
answered question	38	
skipped question	0	

Question 4: The procedures for applying to FIRST for financial support are straightforward.

	Response Percent	Response Count
Strongly agree	26.3%	10
Agree	52.6%	20
Neither agree nor disagree	10.5%	4
Disagree	7.9%	3
Strongly disagree	2.6%	1
Question not relevant or don't know	0.0%	0
answered question	38	
skipped question	0	

Question 5: The response time between application and approval from FIRST is reasonable.

	Response Percent	Response Count
Strongly agree	2.7%	1
Agree	40.5%	15
Neither agree nor disagree	35.1%	13
Disagree	8.1%	3
Strongly disagree	8.1%	3
Question not relevant or don't know	5.4%	2
answered question	37	
skipped question	1	

Question 6: The funding provided by FIRST to cover Bank/IMF staff time and expenses for project management, technical leadership, and travel is adequate.

	Response Percent	Response Count
Strongly agree	2.6%	1
Agree	42.1%	16
Neither agree nor disagree	21.1%	8
Disagree	21.1%	8
Strongly disagree	10.5%	4
Question not relevant or don't know	2.6%	1
answered question	38	
skipped question	0	

Question 7: How do you rate the overall experience with FIRST financing?

	Response Percent	Response Count
Excellent	21.1%	8
Good	50.0%	19
About average	26.3%	10
Poor	2.6%	1
Unsatisfactory	0.0%	0
Question not relevant or don't know	0.0%	0
answered question	38	
skipped question	0	

Question 8: I am aware that over the next five years FIRST is planning to continue to finance discrete TA (average funding of $250,000) but also introduce a "second window" to fund TA programs (a multiple year, comprehensive TA with an average budget from $1-3 million) in support of more comprehensive financial sector reforms.

	Response Percent	Response Count
Yes	68.4%	26
No	31.6%	12
answered question	38	
skipped question	0	

Question 9: Please state actionable suggestions that would improve the process of FIRST support for TA.

	Response Count
answered question	20
skipped question	18

Question 10: Please indicate how easy it would be to find alternative funding sources for technical assistance in the financial area were FIRST funding not available.

	Response Percent	Response Count
Very easy	0.0%	0
Easy	7.9%	3
Neither easy nor difficult	13.2%	5
Difficult	44.7%	17
Very difficult	28.9%	11
Question not relevant or don't know	5.3%	2
answered question	38	
skipped question	0	

Question 11: How does FIRST compare with other donors in the financial sector assistance area?

	Faster to react		*More flexible*		*Simpler procedures*		*Better partner*	
	Response Percent	Response Count	Response Percent	Response Count	Response Percent	Response Count	Response Percent	Response Count
Strongly agree	13.5%	5	5.4%	2	13.5%	5	13.5%	5
Agree	40.5%	15	27.0%	10	37.8%	14	48.6%	18
Neither agree nor disagree	24.3%	9	40.5%	15	27.0%	10	27.0%	10
Disagree	10.8%	4	18.9%	7	16.2%	6	2.7%	1
Strongly disagree	2.7%	1	0.0%	0	0.0%	0	0.0%	0
NA	8.1%	3	8.1%	3	5.4%	2	8.1%	3
answered question	37		37		37		37	
skipped question	1		1		1		1	

Question 12: Please name another source of funding for financial sector technical assistance whose processes you consider to be more efficient than that of FIRST.

	Response Count
answered question	13
skipped question	25

Selected TTL Comments

In addition to the ratings, TTLs were asked for written comments on each question. Many of the TTLs short comments were laudatory. Rather than present these, we reproduce in their own words the TTLs' more substantive, but often critical comments. Note these selected comments should be read in conjunction with the overall rating in which 71% of TTLs were satisfied with the overall experience of working with FIRST and only 3% gave a negative rating.

On FIRST Procedures:

Of TTLs 70% rated FIRST selection criteria as very clear or clear and 76% stated the procedures for applying to FIRST for financial support are very straightforward or straightforward.. Given that favorable level of response, note the following comments:

- FIRST should post its criteria and update these on its website, including countries that are preferred, less preferred, excluded; partner institution types; areas of coverage (e.g., at one point, FIRST worked on financial literacy, capital markets development, what is the policy? Is there a clear policy? It is very costly in terms of Bank staff and clients' time, and more so it is costly in reputational risk, to get going down a path of applying to FIRST and learn very late in process that some area is not to be covered by FIRST.

- Especially if you work with FIRST several times, the transaction costs decrease substantially and it is comparably easy to have a project go through the approval process.

- FIRST is continually altering processes and forms, often in very small ways. Many requests get returned for being on the wrong form. At the inquiry stage, this should never happen.

- Project officers should play a more limited role in the design and content of projects, taking advantage of the superior content knowledge of the technical lead and client knowledge of the TTL. Project officers should not try to make "off the shelf" projects from one country to apply to another, as clients and experts will see this as inappropriate, ill-fitting solutions.

- Project officers can add value by knowing FIRST procedures inside and out, expediting the drafting, peer review process, budget planning. Making the "rules of the game" clear upfront would really help, too. Otherwise, the process becomes tedious, over-burdened with too many people involved, and effort to educate FIRST staff on issues of the country or the subject matter with delays and uncertainty in funding as a result. On the positive side, FIRST often comes through with some form of financial support, and does not excessively monitor the implementation part of projects. It allows Bank-executed projects, and that's a major benefit and provides quality assurance.

- In relation to debt market development, the criteria do not seem to allow for flexibility in incorporating the role of Government debt issuance as part of market development.

On Response Time:

Overall 43% of TTLs considered FIRST's response time to be reasonable; only 16% had negative views with 35% in the middle. On this aspect of performance the TTLs can be considered to be somewhat dissatisfied.

- FIRST provides invaluable support to financial sector development. The main shortcoming is processing time (and it didn't use to be this way -- my first three FIRST proposals, in 2003-04, took only 6-8 weeks for approval).

- Approval/review process can still be streamlined: it is better to send proposals to donors and due diligence at the same time. Also, it would be better for teams to receive feedback from FIRST management committee at one time rather than receiving additional feedback which leads to more iterations and time delays.

On Funding of Bank Costs:

Overall 44% of TTLs were satisfied with the amount of project funding that can be used to cover Bank staff time and expenses; 32% are not satisfied and 21% are in the middle. This and the response time covered above are the two areas of considerable dissatisfaction.

- The funding for staff time/travel has to take into account the type of project, its complexity, and whether staff themselves are involved in delivery of the technical assistance. Having guidelines in this area is understandably but there should be built-in flexibility on a project by project basis to allow for deviation when it makes sense.

- I end up subsidizing my FIRST projects with funds from Bank Budget codes. The projects for which I have had better measurable outcomes were the ones where Bank staff (rather than external consultants with less of long term stake in the project) have actually implemented rather than just provided quality control for the project.

- If it is to cover only the staff time to supervise work, I would say sufficient, but if the Bank team works as a technical person to result in main technical output, it is not sufficient at all. With this said, I thought the funds allocation could be modified reasonably easily with team's justification.

On Alternative Funding Sources:

Overall 73% of TTLs stated it would be very difficult to find alternative sources to finance the type of project funded by FIRST.

- FIRST remains a unique window for just in time needed TA that nicely complements other financial sector development activities. Our region continues to draw heavily on FIRST and we plan to continue to do so.

- Very few resource available for financial sector work, especially on financial sector strategy, TA, implementation support. Very limited BB allocation by CMUs usually, and few other donors in this fields as well.

- FIRST is the only trust fund that supports financial regulatory reforms that I am aware of.

- Especially difficult is to raise funding for systematic and comprehensive reforms that require more substantial funding.

- n the case of Financial Infrastructure the challenge is that the traditional donors' interest is narrowly focused on mobile payments hence there is practically no other source available for small technical assistance in the range of $200-$400K. Hence FIRST is filling a major gap.

On the Programmatic Window

- The second window is a great opportunity when BB is scarce and there is a strong demand from the counterpart. However, a strong written commitment from the authorities should be a pre-requisite. Discrete TA should remain as this is probably the best resource for short term engagement on a short notice.

- Programmatic window would be useful. More info sharing on the 2nd window for programmatic TA is needed - what specific activities/deliverables to be funded, and how it can be synchronized with the bank's new operational procedures - e.g. Country office clearance/approval, etc.

- Outcome indicators are too narrowly defined what makes use of the programmatic window more complicated. Customized outcome indicators should be part of the proposal and let FIRST decide/comment on the suitability of the framework proposed and expected outcomes (as it is done in the bank in the case of loan operations or programmatic approaches).

- $250000 is not worth the application time. I am also told that there are very few multi-year programs available. I applied for one and was encouraged to change it to several discrete projects, significantly delaying and increasing the cost of applying.

Client Survey Questions and Responses

When results from the 2010 FIRST Client Survey are available for a question, the data has been included for comparison purposes.

Question 1: Name of FIRST project.

	Response Count
answered question	41
skipped question	5

Question 2: Name of agency.

	Response Count
answered question	42
skipped question	4

Question 3: Country.

	Response Count
answered question	42
skipped question	4

Question 4: How important were the objectives of the project for the financial system?

	Response Percent	Response Count
Very important	65.9%	27
Important	31.7%	13
Moderately important	0.0%	0
Of little importance	0.0%	0
Unimportant	2.4%	1
answered question	41	
skipped question	5	

Question 5: Was this project linked to other World Bank/IMF activities? Check all relevant.

	Response Percent	Response Count
Lending	5.1%	2
FSAP/ROSC	33.3%	13
Other financial sector TA	30.8%	12
Question not relevant or don't know	43.6%	17
answered question	39	
skipped question	7	

Question 6: The primary impetus behind this project lay with: (check one)

	Response Percent	Response Count
Another agency or government	12.2%	5
Outside agency (IMF, World Bank…)	46.3%	19
Question not relevant or don't know	41.5%	17
answered question	41	
skipped question	5	

Question 7: Had funding from FIRST not been available, how easy would it have been for your agency to find other sources to fund the project?

	Response Percent	Response Count
Very easy	2.6%	1
Easy	2.6%	1
Neither easy nor difficult	17.9%	7
Difficult	43.6%	17
Very difficult	23.1%	9
Question not relevant or don't know	10.3%	4
answered question	39	
skipped question	7	

Question 8: Appropriately qualified consultants were selected for the project.

	Client Survey Results 2010		Client Survey Results 2013	
	Response Percent	Response Count	Response Percent	Response Count
Strongly agree	50%	22	62.5%	25
Agree	43%	19	35%	14
Disagree	20%	1	2.5%	1
Strongly disagree	0%	0	0%	0
Question not relevant or don't know	5%	2	0%	0
answered question	44		40	
skipped question	2		6	

Question 9: The consultants took our views into account.

	Client Survey Results 2010		Client Survey Results 2013	
	Response Percent	Response Count	Response Percent	Response Count
Strongly agree	41%	17	59.0%	23
Agree	52%	22	38.5%	15
Disagree	5%	2	2.6%	1
Strongly disagree	0%	0	0.0%	0
Question not relevant or don't know	2%	1	0.0%	0
answered question	42		39	
skipped question	NA		7	

Question 10: The project produced all of the deliverables, such as strategy, action plan, diagnosis, draft laws and regulations, manuals, training, etc. that you expected.

	Client Survey Results 2010		Client Survey Results 2013	
	Response Percent	Response Count	Response Percent	Response Count
Strongly agree	25%	10	41.0%	16
Agree	35%	14	46.2%	18
Disagree	13%	5	5.1%	2
Strongly disagree	3%	1	2.6%	1
Question not relevant or don't know	5%*	2	5.1%	2
answered question	40		39	
skipped question	6		6	

* In the 2010 Client Survey, for this question there was also an option "Too soon to tell." 8 or 20% of respondents selected that option

Question 11: The outputs took your institution's capacity and administrative feasibility into account.

	Response Percent	Response Count
Strongly agree	38.5%	15
Agree	48.7%	19
Neither agree nor disagree	2.6%	1
Disagree	2.6%	1
Strongly disagree	2.6%	1
Question not relevant or don't know	5.1%	2
answered question	39	
skipped question	7	

Question 12: The outputs from the project were adequately disseminated to relevant stakeholders.

	Response Percent	Response Count
Strongly agree	41.0%	16
Agree	46.2%	18
Neither agree nor disagree	2.6%	1
Disagree	0.0%	0
Strongly disagree	2.6%	1
Question not relevant or don't know	7.7%	3
answered question	39	
skipped question	7	

Question 13: To what extent have the actions proposed in this project been (or are soon to be) implemented?

	Response Percent	Response Count
Fully implemented	15.4%	6
Mostly implemented	46.2%	18
Some implementation	23.1%	9
Practically no implementation	7.7%	3
Question not relevant or don't know	7.7%	3
answered question	39	
skipped question	7	

Question 14: To the extent necessary, the agency has been able to adjust the proposed actions to meet changing circumstances and needs.

	Response Percent	Response Count
Strongly agree	28.2%	11
Agree	51.3%	20
Neither agree nor disagree	7.7%	3
Disagree	5.1%	2
Strongly disagree	0.0%	0
Question not relevant or don't know	7.7%	3
answered question	39	
skipped question	7	

Question 15: For project for which implementation has been less than 100%, please check all the relevant options:

	Response Percent	Response Count
Recommendations were not considered suitable for the country.	8.3%	3
Domestic politics and policies have delayed/prevented implementation.	16.7%	6
The agency does not have the capacity to implement the recommendations.	0.0%	0
Further external technical assistance is needed to help with implementation.	27.8%	10
Implementation is incomplete but likely in the future.	38.9%	14
Other	11.1%	4
Question not relevant or don't know	19.4%	7
answered question	36	
skipped question	10	

Question 16: The agency has the capacity to continue implementing the proposed actions in the future.

	Response Percent	Response Count
Strongly agree	38.5%	15
Agree	43.6%	17
Neither agree nor disagree	2.6%	1
Disagree	2.6%	1
Strongly disagree	0.0%	0
Question not relevant or don't know	12.8%	5
answered question	39	
skipped question	7	

Question 17: The agency needs further external support, from FIRST or other donors, to follow up on the deliverables of this project.

	Client Survey Results 2010		**Client Survey Results 2013**	
	Response Percent	**Response Count**	**Response Percent**	**Response Count**
Strongly agree	38%	16	33.3%	12
Agree	36%	15	47.2%	17
Disagree	2%	1	5.6%	2
Strongly disagree	0%	0	2.8%	1
Question not relevant or don't know	5%*	2	11.1%	4
answered question	42		36	
skipped question	4		10	

* In the 2010 Client Survey, for this question there was also an option "Too soon to tell." 8 or 19% of respondents selected that option

Question 18: The World Bank/IMF/FIRST responded quickly to our original request for assistance.

	Response Percent	**Response Count**
Strongly agree	47.4%	18
Agree	50.0%	19
Neither agree nor disagree	2.6%	1
Disagree	0.0%	0
Strongly disagree	0.0%	0
Question not relevant or don't know	0.0%	0
answered question	38	
skipped question	8	

Question 19: Our agency was adequately consulted in the design of the project.

	Client Survey Results 2010		**Client Survey Results 2013**	
	Response Percent	**Response Count**	**Response Percent**	**Response Count**
Strongly agree	39%	17	63.2%	24
Agree	55%	24	31.6%	12
Disagree	7%	3	2.6%	1
Strongly disagree	0%	0	2.6%	1
Question not relevant or don't know	0%	0	0.0%	0
answered question	44		38	
skipped question	2		8	

Question 20: The World Bank/IMF/FIRST effectively and efficiently handled issues or problems that arose during the project.

	Client Survey Results 2010		Client Survey Results 2013	
	Response Percent	Response Count	Response Percent	Response Count
Strongly agree	28%	11	56.8%	21
Agree	43%	17	35.1%	13
Disagree	8%	3	2.7%	1
Strongly disagree	0%	0	2.7%	1
Question not relevant or don't know	23%	9	2.7%	1
answered question	40		37	
skipped question	6		9	

Question 21: Overall, we are satisfied with the results.

	Client Survey Results 2010		Client Survey Results 2013	
	Response Percent	Response Count	Response Percent	Response Count
Strongly agree	38%	15	59.5%	22
Agree	35%	14	35.1%	13
Disagree	8%	3	2.7%	1
Strongly disagree	0%	0	2.7%	1
Question not relevant or don't know	5%*	2	0.0%	0
answered question	40		37	
skipped question	6		9	

* In the 2010 Client Survey, for this question there was also an option "Too soon to tell." 6 or 15% of respondents selected that option

Question 22: Are you familiar with FIRST?

	Response Percent	Response Count
Very	68.4%	26
Somewhat	26.3%	10
Not at all	5.3%	2
answered question	38	
skipped question	8	

Selected Client Comments

In addition to the ratings, clients were asked for written comments on each question. The comments of the clients were not extensive, but we do quote some, again in their own words, to give the flavor of the answers.

On Level of Satisfaction

- On behalf of the agency, I would like to express my appreciation for all the support we obtained from FIRST and the World Bank. I highly anticipate that the support will continue in due course of transforming/improving our financial system.
- We believe that this project will play a key role in assisting us to develop and implement a coherent and harmonized framework for the banking regulation and supervision over the medium and long term.
- The project provides technical assistance in reviewing our existing laws and regulations in order to avoid inconsistency with other relevant laws as well as international standard. The project also provides assistance in accounting and auditing practice will help us to achieve our goal in implementation of IFRS by 2016 and more importantly the project provides assistance in improving our framework to deal with crisis.
- We are satisfied with the results we got from the onsite inspection project. Thus we are confident about conducting onsite inspections after the project with World Bank / FIRST has ended. On the other hand without the World Bank / FIRST assistance we would have never undertaken this important project in our general insurance industry.
- We have successfully undertaken projects vitally important for our industry thus giving it the necessary growth and development it has achieved to date.

On Bank/FIRST Performance

- The Risk Based Capital (RBC) Project which was a FIRST funded project could not be completed as per the expected schedule in 2013 and therefore the final component of the said project was included as one of the preliminary segments of this project.
- The 2010-FSAP expressed the necessity to establish a framework for the use of retail agents and new technological channels, such as mobile banking. BCR is the entity that leads these issues related to payment systems.
- The onsite inspection project was part of the FSAP for PNG undertaken by World Bank / IMF in 2010. We are grateful that what was considered by us to be priority was approved by the donors.
- It is not directly linked to other activities of the WB or IMF. However, it helped to further deepen what has been achieved through the World Bank Financial Infrastructure implementation project.
- I think the response from World Bank/ FIRST was timely because there are projects which we need to undertake in the short and medium term to support the growth and development of our economy.

On Consultants

- I might say that an expert chosen by World Bank was considered not an ideal one. It was just because in the same time, this expert was also conducting projects far away from our region that giving consequence for communication hurdles that potentially harm the project. But as time went by, World Bank also thinks that way and the expert then replaced.

- The Consultants given were of excellent quality. They had a wealth of experience of having provided identical technical assistance to other jurisdictions.
- This is undoubtedly one of the main reason for the success of the onsite Inspection project. Apart from the qualification and experience of the consultant, there has to be a strong willingness from both the consultant and ourselves to achieve a successful outcome.
- Our capacity and administrative capacity were taken into account. I am satisfied that the staff that were trained under the project are able to train other staff that will recruited in due course.
- Although IBSL commented exhaustively in connection with the project scope, objectives and deliverables, only a few were considered and included in the final version. Some aspects which were highlighted by IBSL to be excluded were not removed.

On Outputs and Implementation:

- Public consultations on the policy behind the provisions were held. The provisions per se have only been exposed to the Ministry of Finance and the Attorney General so far. The Ministry has appointed a special task force consisting of Ministry officials, the Central Bank, lawyers and the corporate sector to review the legal provisions. The provisions will be made available to the public at large only after a draft bill is finalized by the Legal Draftsman.
- The proposed amendments must first have the force of "law" for it to be implemented. The SEC has already forwarded the amendments together with the policy paper thereon and a comparative table to the Ministry of Finance to obtain Cabinet approval. The Ministry before submission to the Cabinet of Ministers have appointed a special task force under the chairmanship of the Deputy Secretary to the Treasury to review the provisions.
- The consultation process concluded that in order to improve the soundness and effectiveness of the proposed scheme, it should better be created by a law instead of by a norm, as the consultant initially suggested. The decision to approve or not a specific law relies on the Congress.
- The aim is that it will be implemented in its entirety in the short term; however, a product is a law, which depends on the review and approval of the Congress. Until now, it has been approved the regulation for financial correspondents (banking agents) and it is awaiting the approval of the regulation of mobile banking, which are expected to be adopted in the coming months.
- However, the regular availability of Consultants due to the pressure of their other consultancy engagements (especially those who have other international assignments) does have a negative impact on timely adjustments made due to changing circumstances.
- I feel that the adjustment to the proposed actions to meet changing circumstances and needs were made throughout the course of the project but more so after the sessions on onsite inspection with the insurers and during the training of the officers.
- We have identified other issues we will need technical assistance such as an updated strategy to develop the payment systems (including retail payments), and the draft of a payment systems law.
- Implementation was done on the banking sector, Insurance and Micro finance subsectors are yet to be done. This may require further support.
- The proposed amendments deal with regulating new market intermediaries and will introduce new civil and administrative enforcement powers to the agency. Support will be needed for purposes of capacity building within the agency.

On Alternative Funding Sources:

- It would be very difficult to get funding from other sources, firstly we are not aware of any other financiers that would accept our requests. Also other financiers may have eligibility criteria we will not meet. We are grateful to FIRST because we have successfully undertaken previous projects with them. Lastly time is of essence and we have completed projects we deem as priority within our immediate and medium term plans to develop our general insurance industry.

Individuals Interviewed

First Name	Last Name	Institution	Title
Ayanthi	Abeyawickrama	Sri Lanken SEC	Director, Legal and Enforcement
Martin	Alsop	DFID	Financial Sector Development Specialist
Philip	Bartholomew	IMF	Senior Economist
Mazen	Bouri	World Bank	Senior Private Sector Development Specialist
Brett	Coleman	World Bank	Senior Financial Economist
Roman	Didenko	IMF/ World Bank	Technical Assistance Advisor
Susanne	Dorasil	Head of the Economic Policy	Financial Sector Division at the German Federal Ministry for Economic Cooperation and Development (BMZ)
Hali	Edison	IMF	Research Department
Michael	Edwards	World Bank	Senior Civil Society Specialist
Laurie	Effron	World Bank	Consultant and Lead Economist
Loretta	Foran	IFC	TTL
Michael	Fuchs	World Bank	Senior Financial Sector Advisor
Dilek	Goncalves	IMF	Project and Knowledge Management Officer
Eva	Guiterrez	World Bank	Lead Financial Sector Specialist in the Latin America and the Caribbean Region
Houqi	Hong	IEG	Consultant and Evaluation Specialist
Bertine	Kamphuis	World Bank	Private Sector Development Speecialist
Uzma	Khalil	World Bank	TTL
Hanh	Le	World Bank	Senior Monitoring and Evaluation Specialist

First Name	Last Name	Institution	Title
Cristina	Ling	World Bank	Evaluation Officer
Cedric	Mousset	World Bank	Lead Financial Sector Specialist
Paul	Murgatroyd	World Bank	retired
Natalyia	Mylenko	World Bank	Senior Financial Sector Specialist
Evans	Osano	IFC	Senior Securities Market Specialist
Samuel	Otoo	World Bank	Manager for the Capacity Development and Results
Korotoumou	Ouattara	World Bank	Senior Financial Economist
Jorge	Patino	FIRST	Program Manager, FIRST
Catherine	Quin	World Bank	retired
Zubaidur	Rahman	World Bank	TTL, Thailand
Marlong	Rawlins	FIRST	Financial Sector Specialist
Roberto	Roacha	World Bank	Senior Advisor
Consolate	Rusagara	World Bank/ National Bank of Rwanda	Senior Advisor & Head of Partnerships and Donor Relations, Financial and Private Sector Vice Presidency (Formerly Deputy Governor of NBR)
Rosmarie	Schlup	SECO	Deputy Head, State Secretariat for Economic Affairs
David	Scott	World Bank	Advisor
Moni	SenGupta	FIRST	Senior Financial Sector Specialist
Ilias	Skamnelos	World Bank	TTL
Francesco	Strobbe	World Bank	Financial Economist
Tunc	Uyanik	World Bank	Director, Financial Systems Global Practice
Marius	Vismantas	World Bank	Financial Sector Specialist

First Name	Last Name	Institution	Title
Sau-Ngan	Wong	World Bank	Senior Counsel, Finance, Private Sector Development and Infrastructure, Legal Vice President Unit
Chunlin	Zhang	World Bank, Pretoria S. Africa	Lead Private Sector Development Specialist