

FIRST 2011 Annual Report

# Strengthening Financial Sectors



*Greater access to finance*



*Enhanced crisis preparedness*



*Financial development strategies*



*Legal reform*





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# 1. About FIRST

FIRST is a multidonor grant facility that funds technical assistance to promote financial sector development. It 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 new donors: Germany's Federal Ministry of Economic Cooperation and Development (BMZ) and the Ministry of Finance of Luxembourg.

FIRST is managed by a Program Management Unit (PMU) in the World Bank.

## OBJECTIVES

FIRST focuses on delivering high-quality short- and medium-term technical assistance (TA). FIRST has established a distinct role in financial sector development as a fast-response provider of small TA projects that contribute to making financial systems more stable, more efficient, and more inclusive.

One of FIRST's priorities is to support the implementation of recommendations made by the joint World Bank-IMF Financial Sector Assessment Program (FSAP) and by Reports on the Observance of Standards and Codes (ROSCs)—particularly in developing countries that lack the resources or expertise to tackle difficult reforms.

Other FIRST priorities include (i) responding to requests for support that fall below other donors' minimum monetary thresholds; (ii) acting as a catalyst for broader donor intervention in areas such as capital market development, banking law reform, and payment system modernization; and (iii) promoting projects that have a strong potential for replication, such as those related to financial crisis preparedness and consumer protection.





## ACTIVITIES AND IMPLEMENTATION

FIRST funds a broad range of financial sector reforms in banking, insurance, capital markets, pensions, and crisis preparedness, among other areas. Annex IV provides a complete list of sectors and areas eligible for FIRST funding.

FIRST-funded TA is carried out primarily by private sector experts. World Bank and IMF staff members are involved in managing projects and providing expert advice.

## ELIGIBILITY AND APPLICATION

Eligible applicants are government agencies, regulatory bodies, policy makers, and—under limited circumstances—quasi-public institutions such as self-regulating organizations and industry associations.

Applicants' countries must be classified by the World Bank as low- or middle-income countries. Low-income countries are those defined as eligible to receive low- or no-interest loans and grants from the International Development Association (IDA). Middle-income countries are those defined as eligible to receive loans from the International Bank for Reconstruction and Development (IBRD).

Eligible applicants must submit project proposals directly to FIRST. The staffs of FIRST, the World Bank, the IMF, and other official multilateral and bilateral development agencies may assist eligible applicants in preparing and submitting proposals.

FIRST reviews the initial inquiry form (available on the FIRST website) to determine whether the proposal is generally eligible for funding. If it is eligible, FIRST asks the recipient to develop and submit a project proposal.

**To learn more and apply, please visit [firstinitiative.org](http://firstinitiative.org).**

## ORGANIZATION STRUCTURE

FIRST has a two-tier decision-making structure: (i) the Governing Council provides strategic guidance to FIRST, sets overall policies, and prioritizes and approves large projects; and (ii) the PMU manages day-to-day activities and approves all projects in coordination with the Project Approval Committee.

The Governing Council comprises one representative from each of FIRST's main donors, as well as from the World Bank and the IMF. "Main donors" are defined as those that have contributed at least US\$2 million in cash to FIRST.

The PMU is set up as a unit in the World Bank, which manages FIRST's work program on behalf of donors as described in the FIRST Charter. The PMU is led by the program manager, who is recruited internationally and hired by the World Bank.

## DONOR AND PARTNER RELATIONSHIPS

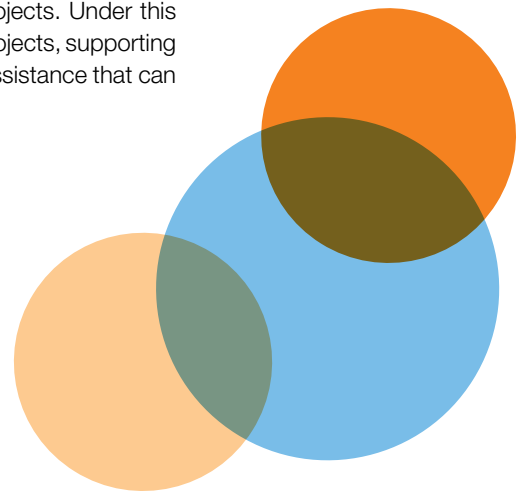
FIRST works in close relationships with donor agencies, multilateral development banks, and international standard-setting organizations. In fiscal 2011, referrals from such agencies generated more than half of FIRST projects.

Through these relationships, FIRST has coordinated and generated active projects with many organizations:

- United States Agency for International Development (USAID)
- Consultative Group to Assist the Poor (CGAP)
- Making Finance Work for Africa (MFW4A) Secretariat
- Southern African Development Community (SADC)
- East and Southern African Banking Supervisors Group (ESAF)
- Economic and Monetary Community of Central Africa (CEMAC)
- East African Securities Regulatory Authorities (EASRA)
- Center for Latin American Monetary Studies (CEMLA)
- Toronto Leadership Centre
- Eastern and Southern African Anti-Money-Laundering Group (ESAAMLG)
- Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)
- International Association of Insurance Supervisors (IAIS)
- International Organization of Securities Commissions (IOSCO)

As part of due diligence efforts, FIRST staff shares project summaries with client government bodies, bilateral aid agencies, development banks, standard setters, and other donor organizations for two purposes: to avoid duplication and to gather regional and technical feedback for refining project designs and eliminating redundancies.

FIRST works closely with financial sector experts in the regional and sectoral networks of the World Bank in the course of project generation, peer review, supervision, and management. These working relationships enhance FIRST's contributions to FSAP and ROSC follow-up projects. In addition, FIRST's projects enhance coordination between the World Bank and the IMF. FIRST has a subaccount that was established to enable the IMF to manage FIRST projects. Under this arrangement, 15 percent of FIRST's net donor contributions are allocated to IMF projects, supporting project generation, supervision, and management, and expanding the range of assistance that can be extended to clients.



## FROM THE CHAIR OF THE GOVERNING COUNCIL

On behalf of FIRST's donors, I am pleased to report on the substantial contribution that FIRST has made in this past year to strengthen the financial sectors of low- and middle-income countries around the world. FIRST was set up in the wake of an international financial crisis, and its relevance and usefulness has been tested not only by that crisis but also by the ongoing global economic conditions of the last few years. The recent global financial crisis has reinforced the need for all countries to continue to strengthen their financial sectors to better withstand systemic and other risks.

During fiscal 2011, FIRST saw a significant step-up in demand for its projects, a testimony to its mission and usefulness. In its nine years of operation, FIRST has extended technical assistance to more than 100 low- and middle-income countries through about 400 country-based and regional projects valued at US\$73.5 million. Our thanks go to FIRST donors and partners for their support of this program, which is proving to be an important pillar of financial sector strengthening and reform.

FIRST has matured as an organization and is at an interesting juncture in terms of its strategy and focus going forward. The initiative has proven to be responsive and flexible, and in tune with ongoing developments in the financial sector without losing sight of its main mission of providing a mechanism for countries to follow up on FSAPs. Going forward, FIRST needs to remain catalytic and responsive, and at the same time, draw on the knowledge and expertise built over the last nine years, in order to be a strategic partner and remain relevant for its clients in the long run.

On behalf of the Governing Council, I would like to express my thanks to the FIRST Program Management Unit for its outstanding work, to the client countries for their cooperation and commitment to this agenda, to the World Bank and IMF staff who have helped manage and supervise FIRST projects, and to the many consultants whose engagement has helped maintain the quality of work that FIRST delivers. And finally, I would like to wish a successful tenure to my successor, Susanne Dorasil of BMZ, who is replacing me as the new chair of the FIRST Governing Council.

**Anuradha Bajaj**

Head, Investment and Finance Team, DFID, and Chair of the Governing Council  
Financial Sector Reform and Strengthening Initiative



## FROM THE PROGRAM MANAGER

The recent financial crisis has underscored the importance of having in place sound financial regulation and supervision to maintain stability and promote growth. Moreover, in low- and many middle-income countries huge challenges remain in improving the legal and regulatory framework and increasing supervisory capacity, while striking a proper balance between financial stability and economic growth. And these are the countries that can least afford not to meet these challenges.

FIRST seeks to support client countries in this effort by prioritizing FSAP implementation, expanding access to financial services, strengthening consumer protection, enhancing government capacity to manage crisis, and improving financial regulations. FIRST is helping to tackle immediate problems and create catalytic results by engaging other donors and promoting partnerships with stakeholders in the financial sector.

FIRST's advantage comes from its ability to "connect the dots"—providing assistance with small-scale, flexible projects that address a country's development agenda and that often engage the broad donor community in bringing about reforms. These projects support not only financial institutions but also the ultimate clients of financial services. It is a winning model for FIRST, for its donors, and for the financial sector development.

Within FIRST's general framework, support to low-income countries—with a focus in Africa—is a priority. During fiscal 2011, FIRST witnessed strong demand for its projects, with 136 inquiries received (up from 112 the previous year) and 59 projects approved (up from 39) for a total value of US\$12.1 million. Of these, 75 percent went to low-income countries. Most FIRST projects contribute to building lasting capacity in countries, thereby promoting economic development in the long run.

In 2011, FIRST started the development of a new strategy, business model, and monitoring and evaluation framework that will come into effect in 2013. With these in hand, FIRST will be able to better target its resources to projects that achieve visible impact at the financial system and the economic development levels.

Our sincere thanks go to FIRST donors and partners for their support of this program, which is proving to be an important pillar in strengthening financial sectors.

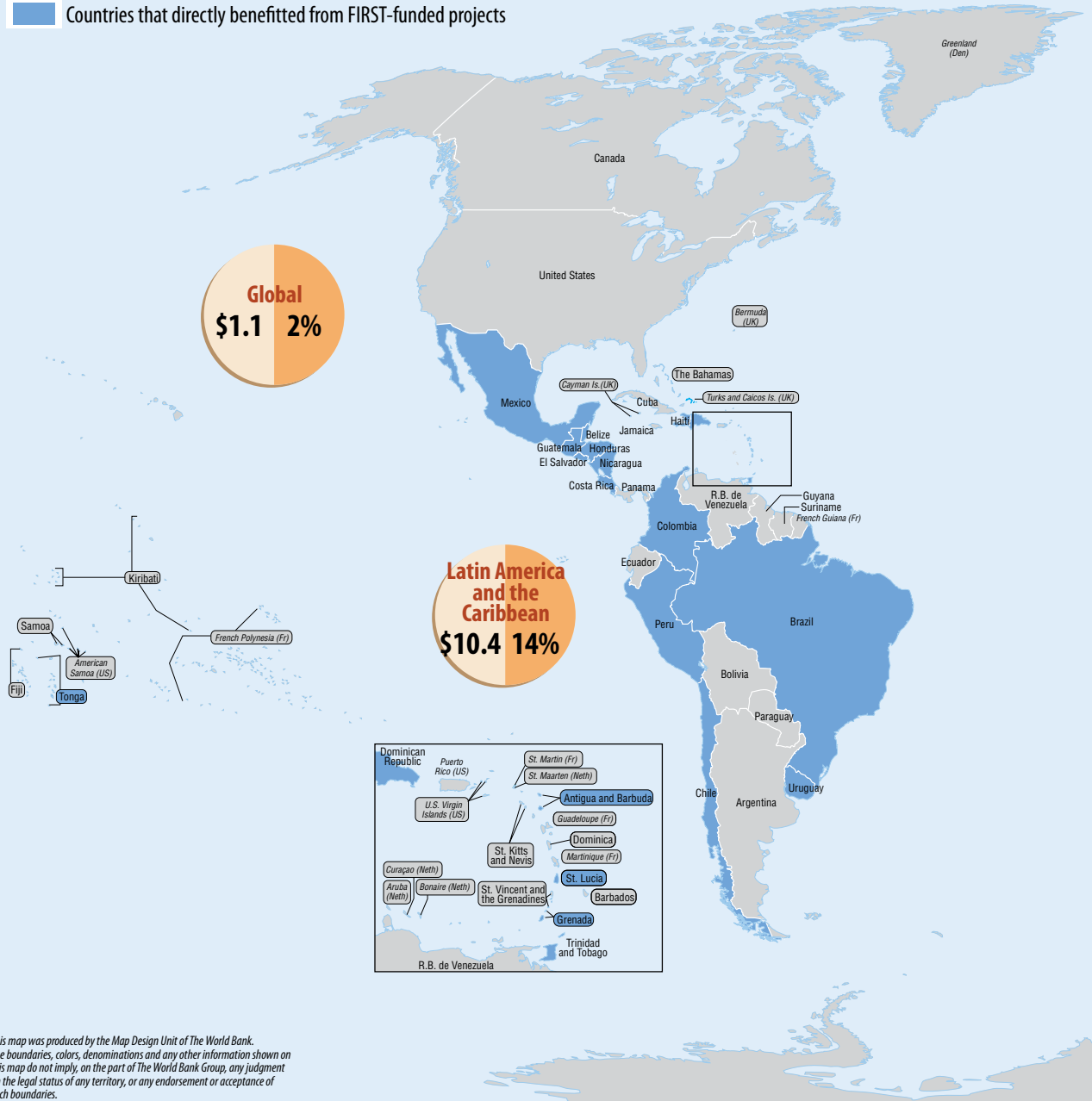
### **Jorge Patiño**

Program Manager  
Financial Sector Reform and Strengthening Initiative

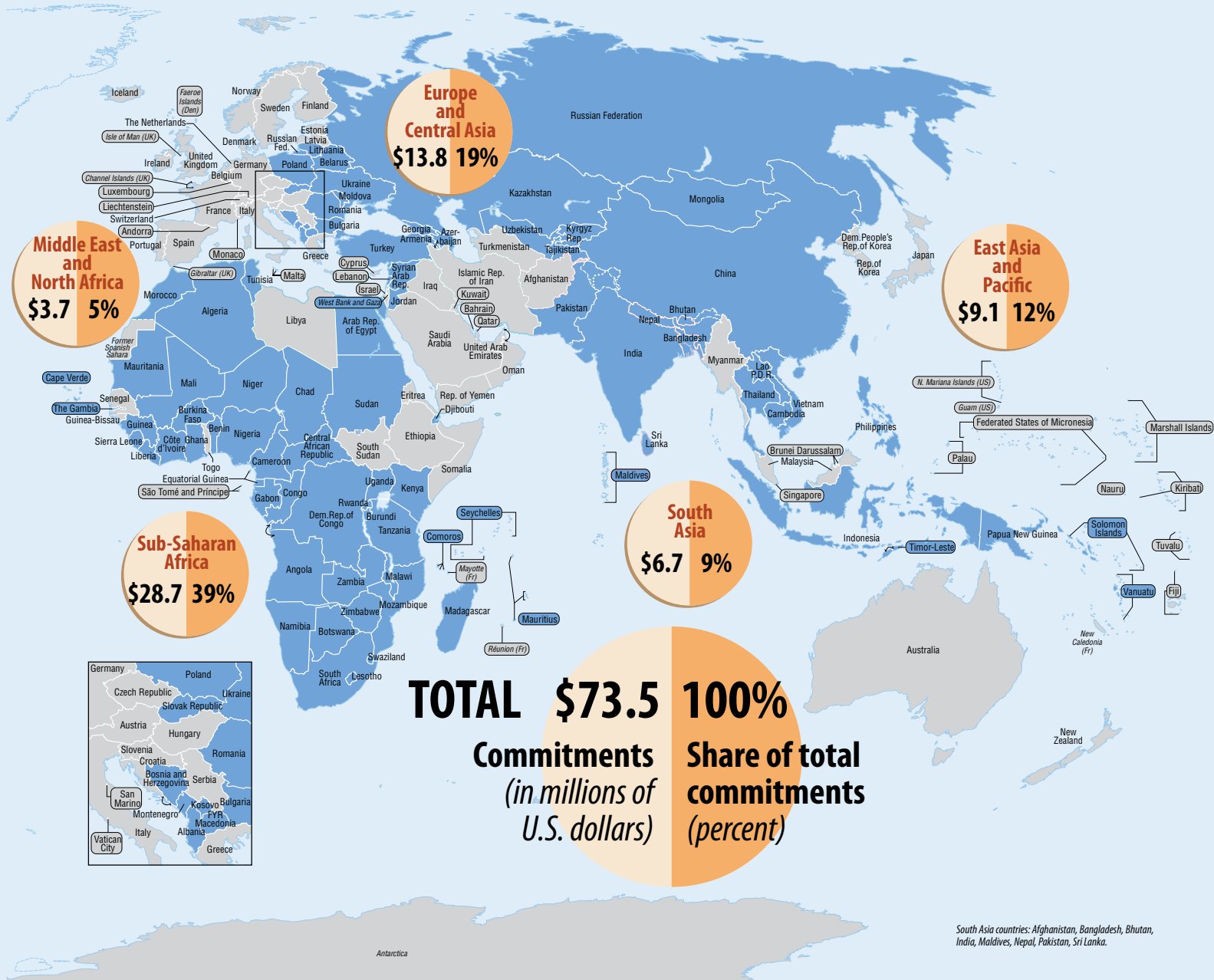
# FIRST ON THE MAP

(CUMULATIVE PROJECT COMMITMENTS AS OF JUNE 30, 2011)

 Countries that directly benefitted from FIRST-funded projects



*This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.*



## 2. Operations in 2011

### FIRST'S RESULTS

There is growing recognition by donors and policy makers of the financial sector's important role in creating stability, fostering economic growth, and supporting job creation—and thereby accelerating poverty reduction. Through access to formal financial services—for individuals and for small and medium-size enterprises (SMEs)—the financial sector thus plays a key role in addressing global developmental challenges.

Finance matters for development when it functions well and when it malfunctions. Where the governance structures of financial institutions are weak, they can inhibit effective oversight and can result in misguided incentives by financial service providers for lending and other financial transactions. Unsound financial and capital markets, bank fraud and other financial abuses, and imprudent behavior by financial institutions can lay the foundations for financial crises—with harrowing consequences for the poor. FIRST projects support countries in their efforts to strengthen their financial systems along these causality chains.

FIRST's quick response to client countries' specific demands through TA projects has proven successful in addressing concrete, identified needs in financial sectors. In the bigger picture, though, as part of their national development programs, countries must identify not only critical weaknesses in their financial systems, but also the technical and financial resources to address those weaknesses systematically. As part of this broader agenda, FIRST is helping to create catalytic results by engaging other donors and promoting partnerships with sector stakeholders.

For example, in Rwanda FIRST conducted two Financial Sector Development Strategy (FSDS) projects. On the basis of that work, a broad range of donors made contributions to finance TA in excess of US\$30 million. FIRST's FSDS project in Malawi catalyzed more than US\$28 million from various donors. More recent work by FIRST on an FSDS in Tajikistan resulted in full donor funding for 48 of the 69 action items; the donors included the World Bank, the IMF, the European Bank for Reconstruction and Development, the United Nations, USAID, SECO, the German Agency for Technical Cooperation, and the European Commission (for more information on this project, see section 6, Legal Reform).

In addition to supporting wide-ranging financial sector reform through FSDS, FIRST has supported reform efforts that started by addressing pressing needs and built from there. For example, in El Salvador, Namibia, and Morocco, a crisis simulation exercise led to the development of legal reform and contingency plans (see section 4, Crisis Preparedness). And in Botswana, El Salvador, the Kyrgyz Republic, Nigeria, and many other countries (see annex III for the list of FIRST's projects by country and region), FIRST and its partners have moved from engagement in one project to tackle related financial reform needs through multiple interventions over several years.

These direct and indirect impacts of FIRST's work are monitored and evaluated internally and externally (see "Assessing FIRST" on page 14).

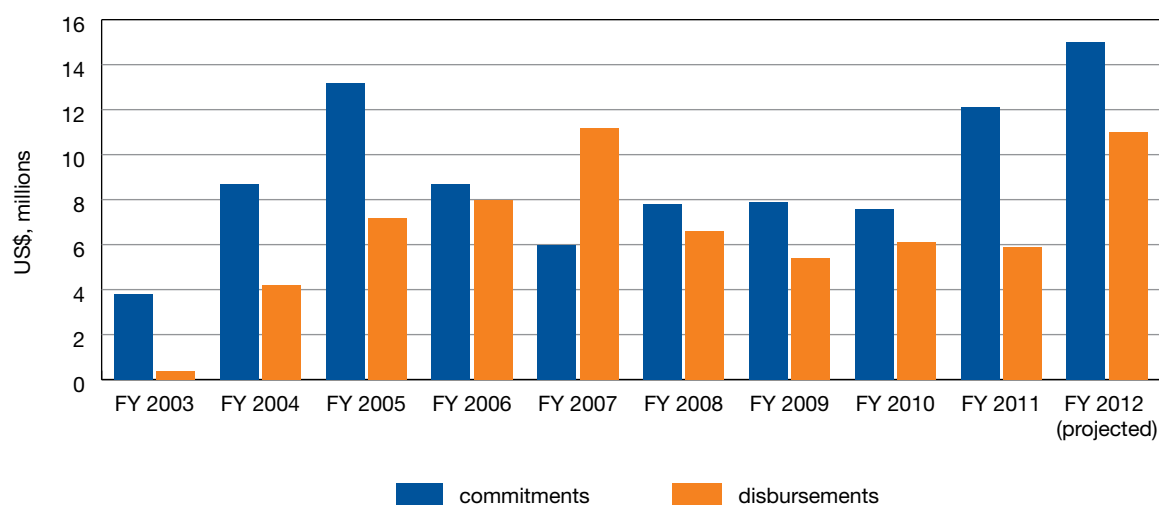


## PROJECT COMMITMENTS AND DISBURSEMENTS

In fiscal 2011, FIRST approved 59 projects (compared with 39 in fiscal 2010), representing commitments of US\$12.1 million. During its nine years of operations, FIRST has approved 399 projects with a total value of US\$73.5 million. More detailed information appears in the annexes. Annex I provides a financial overview of FIRST funds, Annex II summarizes the projects approved in fiscal 2011, and Annex III lists the cumulative FIRST portfolio for fiscal 2003–11.

As of June 30, 2011, FIRST's cumulative project disbursements stood at US\$55.1 million, of which US\$5.9 million was disbursed in fiscal 2011. Figure 1 shows FIRST's commitments and disbursements since inception.

*Figure 1. FIRST Commitments and Disbursements, FY 2003–11 and Estimated FY 2012*



FIRST's outreach efforts during fiscal 2011—follow-up on its 2010 TA-needs survey of financial sector authorities in Asia and Africa, participation in workshops and seminars, project development and support—had significant results. FIRST anticipates an increase of about 20 percent in project commitments in the next fiscal year owing to the high volume of project applications and the strong rate of approvals.

FIRST draws from two funds: the Low-Income Fund is allocated to projects carried out in countries that are eligible for credits from the IDA; the Middle-Income Fund is dedicated to projects in countries eligible for loans from the IBRD. FIRST prioritizes low-income countries: 74 percent of its funds are reserved for this group. Since 2006, annual commitments have favored low-income countries, as shown in figure 2.

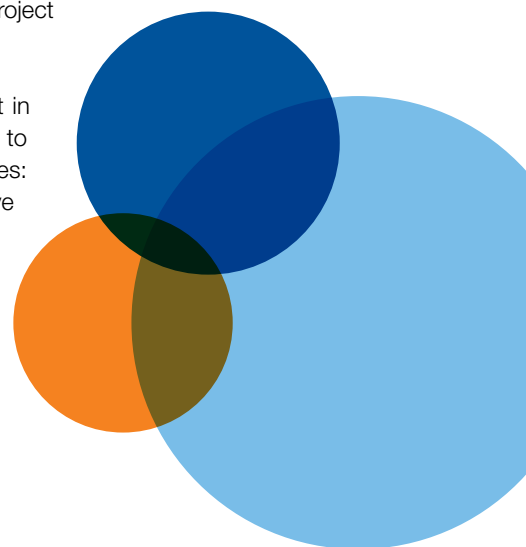
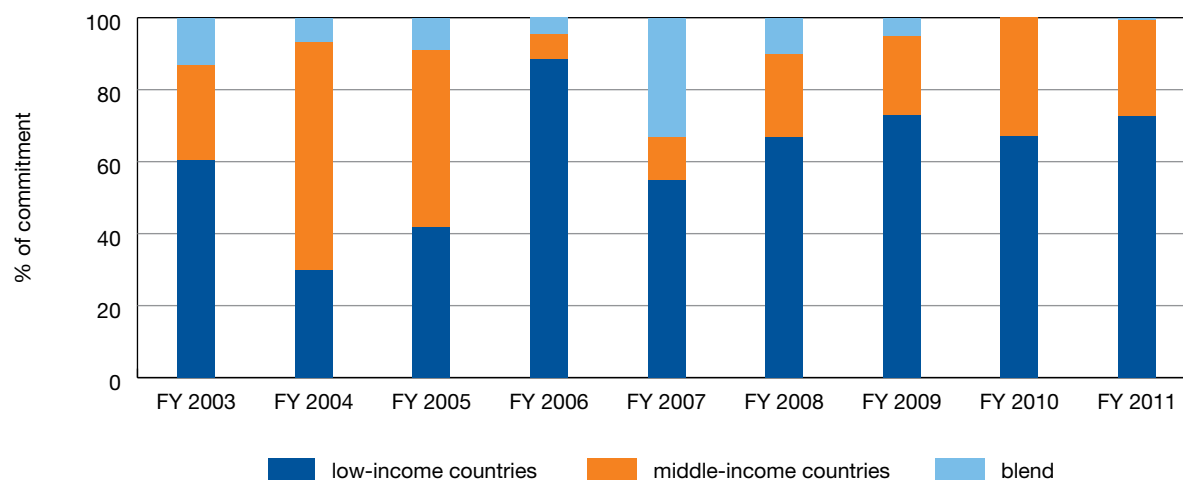


Figure 2. FIRST Commitments by Fund, FY 2003–11



Note: "Blend" refers to regional projects that include both low- and middle-income countries.

## REGIONAL FOCUS

Consistent with FIRST's emphasis on supporting low-income countries, Sub-Saharan Africa continues to be a top-priority region. Fifty percent of FIRST projects approved in fiscal 2011 were focused on this region, and about 40 percent during previous years of operation (2003–10). Table 1 shows FIRST's regional commitments on a cumulative basis and in the two most recent fiscal years.

Table 1. FIRST Commitments by Region, FY 2010, FY 2011, and Cumulative FY 2003–11

Region	FY 2010			FY 2011			Cumulative FY 2003–11		
	Projects	Commitments (US\$)	Share of total commitments (%)	Projects	Commitments (US\$)	Share of total commitments (%)	Projects	Commitments (US\$)	Share of total commitments (%)
Sub-Saharan Africa	14	2,319,604	30	29	5,986,207	50	164	28,675,452	39
Europe and Central Asia	9	2,082,400	27	8	1,945,555	16	72	13,772,183	19
Latin America and Caribbean	7	1,357,767	18	6	856,495	7	59	10,449,299	14
East Asia and Pacific	1	33,900	0 <sup>a</sup>	4	1,124,234	9	39	9,074,793	12
South Asia	4	1,158,000	15	8	1,410,678	12	36	6,736,103	9
Middle East and North Africa	4	667,162	9	4	774,694	6	24	3,683,264	5
Global	0	0	0	0	0	0	5	1,082,495	2
<b>Total</b>	<b>25</b>	<b>7,618,833</b>	<b>100</b>	<b>59</b>	<b>12,097,863</b>	<b>100</b>	<b>399</b>	<b>73,473,589</b>	<b>100</b>

Note: percentages affected by rounding.

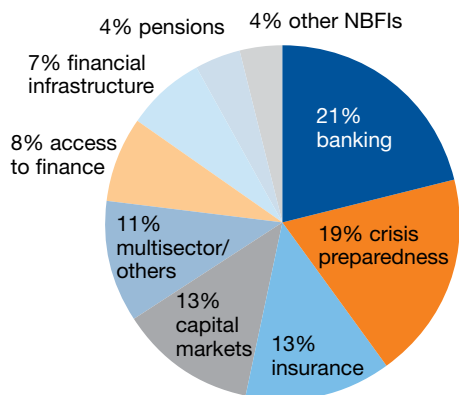
a. 0.4 percent.

## SECTORAL FOCUS

In order to effectively support countries in their efforts to strengthen their financial systems by implementing FSAP recommendations, FIRST funds TA in a wide range of sectors: banking, insurance, capital markets, other nonbank financial institutions (NBFIs), pensions, financial architecture, crisis preparedness, access to finance, and multisector/others. Annex IV lists the sectors and areas eligible for FIRST funding.

Consistent with the dominance of the banking sector in most client countries, FIRST sees the strongest demand for TA in banking, followed in the last two years by crisis preparedness (see figure 3).

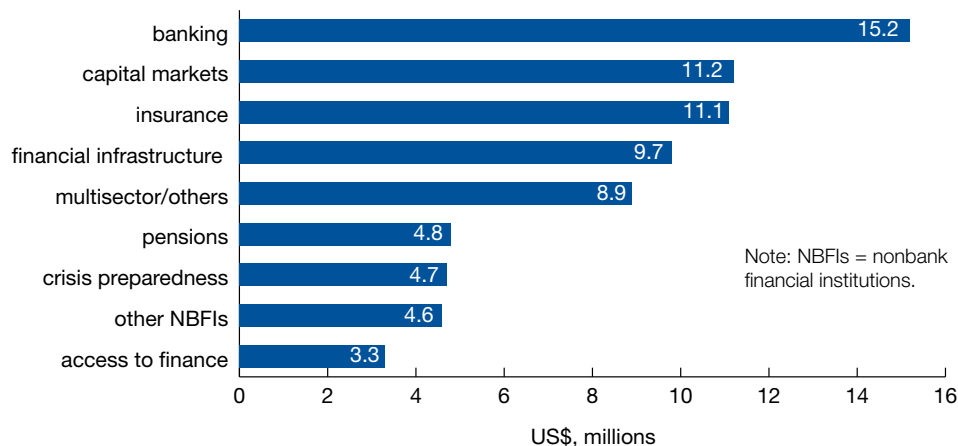
Figure 3. FIRST Project Commitments by Sector, FY 2011



Over its nine years of operation, FIRST's cumulative commitments have been made mostly for projects in banking, capital markets, and insurance. FIRST's clients also have exhibited a high demand for financial infrastructure projects (supervisory structure, accounting and auditing, etc.) and multisector projects (mainly FSDS and financial system reform and policy). Cumulative commitments by sector are presented in figure 4.

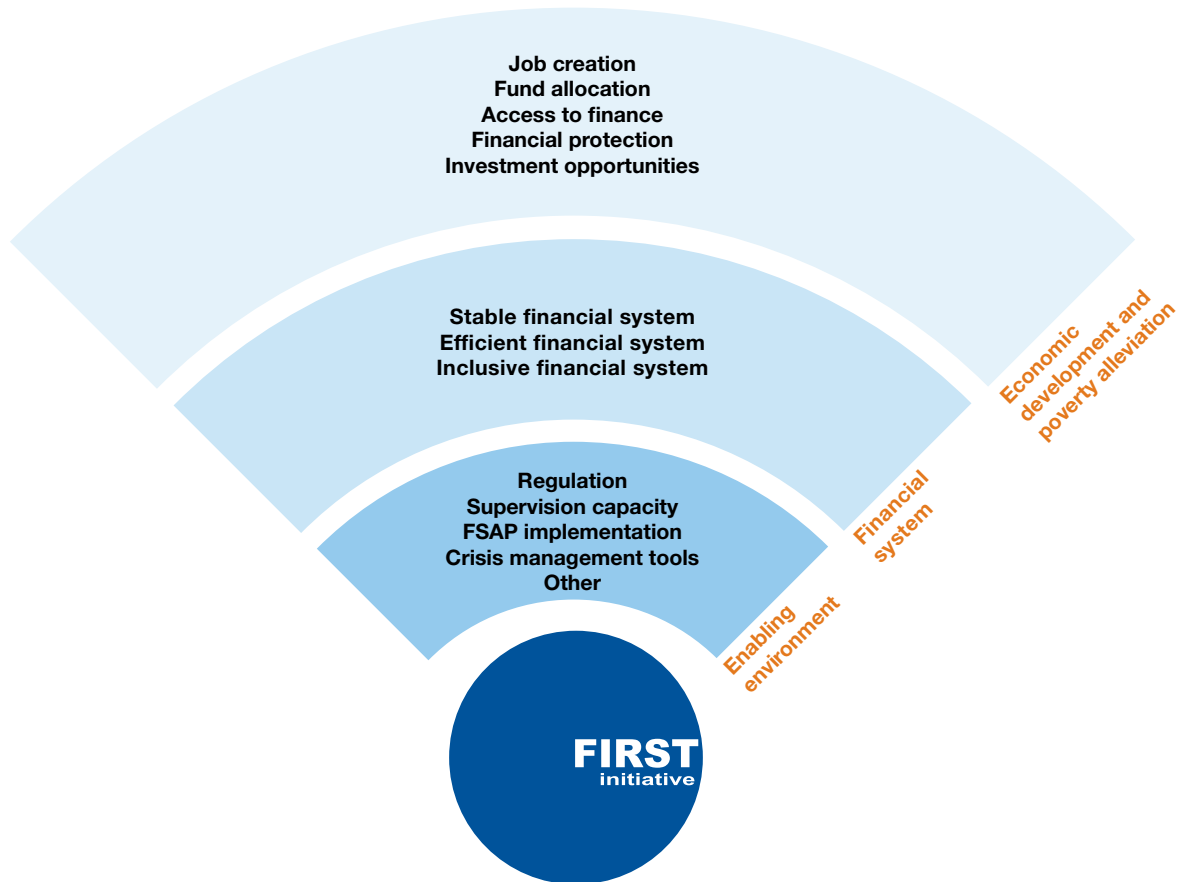
It is worth noting that some of FIRST's projects in other sectors also contribute to greater access to finance; for example, some TA projects in banking (payment systems development) or insurance (micro-insurance).

Figure 4. Cumulative FIRST Commitments by Sector, FY 2003-11



## ASSESSING FIRST

FIRST's monitoring and evaluation framework seeks to identify the outcomes produced by FIRST in three levels of impact: (i) the enabling environment, (ii) the financial system, and (iii) economic development and poverty alleviation.



Conceptually, the relationship between FIRST's work in both the enabling environment and financial systems, and the results of that work on economic development and poverty alleviation plays out through the following causal chain:

1. FIRST projects are designed to deliver new legislation, improved regulations, or better institutional practices and capacities (enabling environment).
2. Adoption and implementation of those outcomes is expected to translate into better-regulated financial markets, resulting in reduced vulnerability to crises and more stable and expanded financial services in the domestic economy (financial system).
3. Improved financial flows, in turn, enable the private sector and individual households to tap these financial services to support private sector growth and deliver resources needed to provide the poor with better, more reliable income opportunities (economic development).



The outcomes of FIRST interventions in the enabling environment contribute to outcomes in the other areas through this causal chain. FIRST's greatest impacts on the enabling environment derive from institutional capacity building, followed by improvements in the legal and regulatory framework.

Table 2 briefly identifies the top six impacts across the majority of FIRST's projects at the enabling environment and their typical and likely outcomes at the other two levels of impact.

*Table 2. FIRST's Outcomes and Expected Follow-on Outcomes by Dimension of Impact*

<b>Identified outcomes in the enabling environment of financial services</b> →	<b>Subsequent typical outcomes in the financial system</b> →	<b>Likely outcomes in economic development and poverty alleviation</b>
Greater supervisory capacity	More stable and efficient financial system	Better fund allocation, which promotes job creation
Improved regulation	More efficient and transparent capital market More inclusive financial system More diversified insurance sector	Better fund allocation, which promotes job creation Greater access to finance Improved financial protection
Improved government capacity to manage crises Greater awareness of crisis management tools	More stable financial system	Reduction in crisis resolution costs More funds available for social and infrastructure investments
Sounder basis for capital market development	More efficient financial system	Better investment opportunities for pension funds
More effective FSAP implementation (FSDS projects)	More stable financial system More inclusive financial system More efficient financial system	Better fund allocation, which promotes job creation Better financial protection Greater access to finance Better investment opportunities
Sounder auditing and accounting practices	More transparent financial statements	Improved investor protection

In addition to internal monitoring, FIRST undergoes a biennial external evaluation and client survey. The most recent external evaluation, performed in 2011, identified a number of strengths and successes, as well as areas for improvement that will inform FIRST's strategy and business model going forward. The studies indicated a high degree of client satisfaction, derived mainly from the strong delivery and quality of consultants, and the quick response and gap-filling role of FIRST. According to the evaluation, FIRST makes a strong contribution to project results, with most of its grants being demand driven and aligned with the client country's priorities for financial sector development. The complete report, the client survey, and FIRST comments are posted on FIRST's website.

## LOOKING AHEAD

Notwithstanding the achievements described in this report, FIRST challenges itself to better meet the expectations of its partners and clients as implied in its mission statement; that is, to “support economic growth and poverty reduction in low- and middle-income countries by promoting robust and diverse financial sectors.” Here are a few of the challenges FIRST has identified:

1. **Expanding scope of interventions:** FIRST has been successful in championing individual projects for financial sector development and reform. They have for the most part been small (the average value of a FIRST intervention is approximately US\$200,000), with a short-term focus (on average less than 18 months). Although this scope is entirely appropriate for countries with specific gaps to fill, many countries would benefit from broader interventions that address a range of intrinsically linked themes to ensure more comprehensive results.
2. **Creating impact:** Mainly because of this small-project approach, FIRST struggles to effectively assess the overall developmental impact of its work. As designed, FIRST is meant to fill gaps and respond to client demands; that means it provides a large number of relatively small interventions in technical specialty areas. Targeted interventions can play a catalytic role, but often interventions remain isolated, not transmuting into more comprehensive reforms with more systemic and tangible effects on development.
3. **Sharing knowledge and lessons learned:** Clients and donors alike also expect FIRST to identify, organize, and disseminate knowledge about effective reforms based on its rich experience. But, again, the reliance on specialized TA—often implemented by external consultants—across a broad spectrum of issues makes it challenging to extract information, and then manage and share knowledge that helps clients to design significant, impactful reform initiatives.

4. **Leveraging local knowledge to inform global good practice and vice-versa:** A number of new international bodies, rules, and codes are emerging to stabilize the global financial system over the long term. These new standards are mostly geared toward financial systems in the developed world. There is increasing pressure for emerging economies to adopt and comply with them, and many emerging market governments believe that their need to balance inclusion and stability is not being addressed. FIRST’s focus is on providing TA at the country level, and the lessons learned from this local knowledge are not being fully captured and leveraged to inform global policy for financial sector development.

Not surprisingly therefore, while developing countries strongly recognize the value of FIRST, they also consistently observe that more follow-up TA would be greatly beneficial.<sup>1</sup> This feedback indicates that FIRST needs to adapt to the rapidly changing demands and needs of developing countries. Recurring financial crises are stark reminders that financial sector vulnerabilities and challenges are multifaceted, requiring a more sustained, systematic reform effort.

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1. FIRST 2010 Client Survey Results, January 2011.

At the end of the period covered by this annual report, FIRST's donors, the World Bank, and the IMF were engaged in defining a business model for FIRST's next funding and strategic cycle around the following principles:

- FIRST will continue to focus its efforts on funding TA that contributes to the strengthening of financial sectors in low- and middle-income countries.
- FIRST will seek more active engagement in the financial sector development agenda for low- and middle-income countries.
- FIRST will continue to respond to client demand, focusing its efforts where other donors' funds are not available (additionally), working in partnership with other actors in the field— regional banks in particular—and prioritizing efforts that achieve change on the ground.
- FIRST will put a greater emphasis on the achievement of outcomes that translate into impact on economic development and poverty reduction.
- FIRST will develop a more robust monitoring and evaluation framework that will enable it to establish concrete, relevant outcomes that can be verified and shared.
- FIRST will develop a knowledge management strategy to identify, organize, and disseminate the lessons learned from these actions.

With these principles in mind, moving toward FIRST's next funding and strategic cycle (phase III, starting in 2013), the Governing Council is considering options for maximizing FIRST's visibility and developmental impact. These options include engaging with clients through larger reform programs at the country level.

### 3. Greater Access to Finance

**Some 3 billion adults—more than half of the population in developing countries—have little or no access to formal financial services.** A large majority of low-income households are underserved in terms of the quality and quantity of products and services available to them. As a result, they must rely on informal options that are often more expensive and less reliable. Restricted access to finance limits people's choices and economic opportunities. Even when financial institutions would like to expand their services to underserved segments of the population, the poor financial infrastructure in many developing countries often limits them in doing so. Financial exclusion carries risks—such as threats to financial integrity and international security (for example, the money laundering and terrorist financing risks of cash transactions, often conducted across borders, through informal providers); social and political instability; and even financial instability (for example, political unrest touched off by pyramid schemes, organized as informal savings and investment opportunities, that trigger lack of confidence in the banking system).<sup>2</sup>



**FIRST has funded 50 access-to-finance TA projects for a total of US\$12 million. FIRST's efforts support the underserved and financially excluded** through TA projects aimed at expanding access to financial services for low-income households and for SMEs, strengthening consumer protection, and building essential financial infrastructure. Projects span the financial spectrum—banking, microfinance, rural cooperatives, housing finance, micro-insurance, remittances, consumer protection, secured lending, pensions, payment systems, and credit bureaus. Projects cover many dimensions of access issues, ranging from developing legal, regulatory, and supervisory frameworks to supporting product development, innovation, and strategy building.

2. "Global Standard-Setting Bodies and Financial Inclusion for the Poor – Toward Proportionate Standards and Guidance," white paper prepared by the CGAP on behalf of the Global Partnership for Financial Inclusion.

## India: Expanding Housing Finance Market to Lower-Middle-Income Segments

The need to stimulate the housing market in India was identified in 2006, when the National Housing Bank requested TA from FIRST to explore ways to get the private sector to serve sizeable segments of low-income urban households on a commercial basis. Though mortgage lending had grown very rapidly in India, it was restricted mainly to middle- and higher-income groups and was not reaching most of the lower-income and poor groups, which constitute over 80 percent of the urban population.

The objective of FIRST's TA project was **to assess the feasibility of and conditions for providing market-based financial solutions for housing for segments of the population in both urban and rural contexts, that are currently not served by banks or housing finance companies.** These segments include groups active in the informal sector. This involved assessing how to overcome key obstacles, including (i) difficulties in measuring borrowers' creditworthiness (especially those employed in the informal sector), (ii) increased vulnerability of borrowers to interest rate fluctuations and (iii) the higher transaction costs of small loans.

Project outputs included in-depth market research on the demand and supply sides to understand customers' requirements and the constraints faced by financial institutions and developers. Conditions were identified for triggering interest by market players in offering housing finance to moderate- to low-income households. Business models were proposed and product development options detailed that addressed noted issues and challenges; and pilot projects were designed to test the most innovative and critical options.

The project was very timely and had an impact even before the pilots and the formal dissemination actions were completed. Its implementation coincided with changes in the government of India's policy, which included institutional rearrangements of the Housing Ministry and the launch of an "Affordable Housing for All" initiative, the objectives of which were similar to the goals of this project. The FIRST team was consulted by the government, and project findings were presented at several high-level events. A growing interest was identified among market players, evidenced by numerous applications for participating in the pilot projects, and new entities were set up to specialize in low-income mortgage lending. Although these very positive developments cannot be attributed solely to the FIRST project, it definitely contributed to creating awareness of these needs through multiple contacts with professionals and the assessment of market potential.

Moreover, FIRST committed additional resources in a follow-up effort throughout 2011 to test more business models for a larger number of underserved segments. The tests involved a larger than anticipated number of stakeholders—over 30 potential market participants, including large employers, housing finance companies, banks, NBFIs, developers, and government bodies.

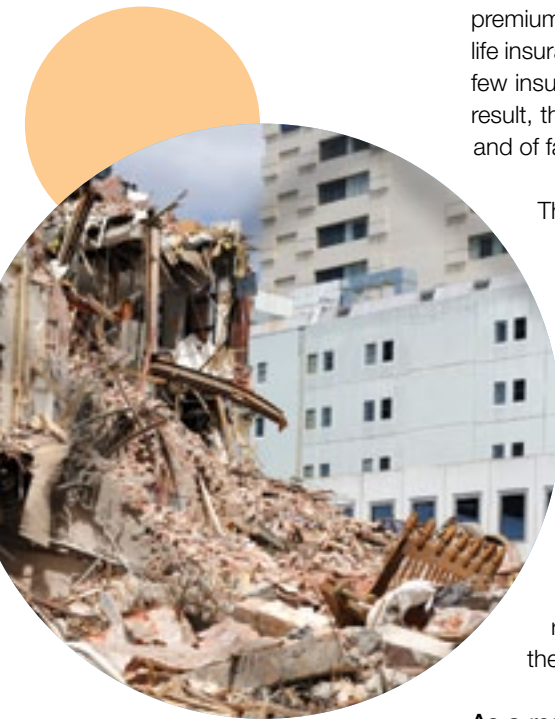
**The World Bank used the assessment and recommendations from the FIRST project as input in developing a large-scale initiative—a \$300 million project targeting low-income housing, to be approved in April 2012.** Although it is too early to know the ultimate impact of the FIRST project, indicators of success that could be followed up in the near term would be the number of housing finance loans extended under the pilot project as well whether the pilot structure was replicated by other players in the housing sector or in other geographic areas.



## Kazakhstan: Providing Sound Insurance Against Earthquakes

Kazakhstan is highly vulnerable to earthquakes, in particular the southern part of the country including the area around the main city of Almaty. The city was nearly completely leveled by a 1911 earthquake, and because no new tremor of such magnitude has occurred since then, many regard another serious shock as “statistically overdue.” So when a magnitude 5.4 earthquake hit the southeastern part of Kazakhstan on May 1, 2011, the news reports reminded readers about the possibility of devastation.

Over the last few years, the country’s Financial Supervisory Agency (FSA) has observed a gradual reduction in the ratio of outward reinsurance to the gross volume of insurance premiums written in the country. Despite the rapid growth of the property segment of the non-life insurance market, and the recognized vulnerability of Kazakhstan to the risk of earthquakes, few insurance companies would buy catastrophe excess-of-loss reinsurance protection. As a result, they were at risk of incurring substantial losses in case of a default by a single reinsurer and of failing to pay on their own policies in case of an earthquake of any serious magnitude.



The FSA staff did not have the technical capacity to adequately assess companies’ risk exposures to earthquakes. Nor was the staff able to evaluate the adequacy and credit quality of companies’ reinsurance programs. In this context, the FSA was interested in receiving world-class technical assistance in the assessment of the underlying catastrophe risk exposures of the Kazakh insurers as well as in the consequent risk-based supervision of their catastrophe risk transfer practices. Such assistance became possible as a result of the financial support from FIRST and the technical inputs of World Bank staff and international consultants.

Among the key results of the project: (i) the development of a risk-based supervision tool that enables the FSA to quickly and adequately assess companies’ reinsurance protection for catastrophe risk, and (ii) the development of methodological recommendations on the regulation of companies’ reinsurance purchases. These results will help the FSA to improve the quality of reinsurance supervision and move it in the direction of risk-based supervision of the insurance companies’ solvency.

**As a result of this US\$240,000 project, an estimated 250,000 people today—and many more in generations to come—will benefit from having sound earthquake insurance coverage.**

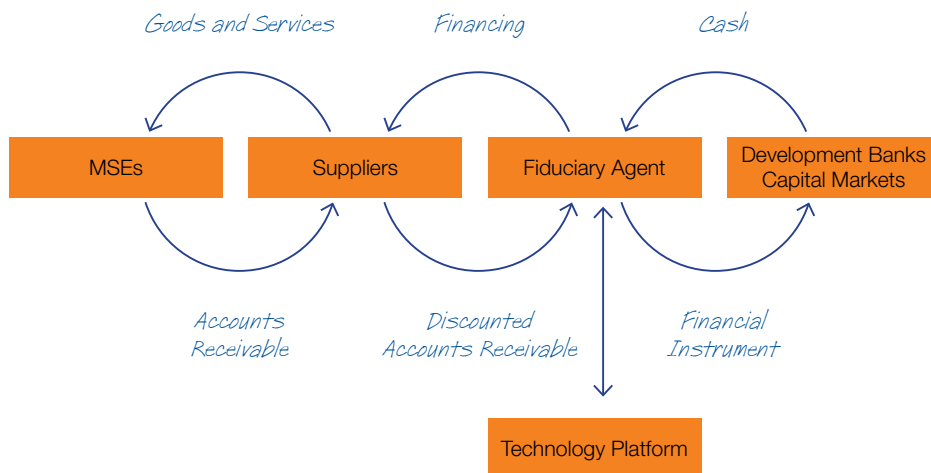
Population, Kazakhstan	Average household size (persons)	Insurable households	Insured households with earthquake coverage	Exposed households
15,522,400	3.4	4,565,412	82,177	76,425

Note: Exposure estimated based on available market statistics and project results.

**This project model may be replicated in similar environments** and, indeed, has already served as a template for a project in Morocco to assist the local insurance supervisor in implementing a new law on catastrophe risk insurance.

## Peru: Factoring Scheme for Small and Medium Enterprises

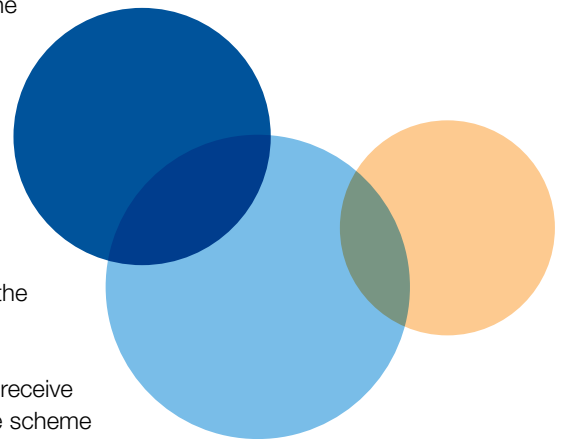
In Peru, as in many emerging markets, access to finance is a pressing need for SMEs. That is why the Peruvian authorities requested FIRST funding to design a factoring scheme that **relies on a financial structure and a technology platform to purchase accounts receivable from the large companies that supply many SMEs** (see diagram for details). Doing so frees up working capital that the suppliers can use to extend more credit to SMEs, helping to solve the problem of insufficient access to finance. It also benefits the suppliers and other stakeholders.



Because of the close relationships between large suppliers and their SME customers, the suppliers can provide a lot of credit to SMEs at relatively low risk and cost. The accounts receivable portfolios of these large suppliers are diversified and carry low risk—qualities that are the building blocks for the financing scheme.

The scheme involves creating a fiduciary agent, such as a trust, to purchase accounts receivable from corporate suppliers on a revolving basis. During the initial implementation, the local development bank COFIDE (Corporación Financiera de Desarrollo) will fund the trust. After the scheme is implemented, the fiduciary agent can raise funds in the capital markets. The scheme minimizes the risk involved in the transaction through its financial architecture and through the operational platform used to manage the flow of receivables.

Invoice factoring has benefits for the SME customers. First, participating SMEs receive more financing from suppliers, which they can use to increase sales. Second, the scheme helps SMEs get better credit terms elsewhere, because they build credit histories that are valuable when they approach other financial intermediaries. Specifically, the operational platform generates payment reports—similar to those provided by a credit bureau, with proof of historical fulfillment of payments—for the SMEs that participate. The SMEs can use these independent payment reports when they approach banks, improving their chances of receiving bank credit.



Large suppliers benefit as well, because transferring a portion of their accounts receivable portfolio to a third party improves their financial ratios. That is, factoring improves the liquidity of suppliers by substituting cash for accounts receivable. The suppliers can use this additional (off-balance-sheet) financing to increase sales of their products and services by providing additional credit to their SME customers without negatively affecting working capital. In addition, because of the guarantee structure, the financing cost implicit in the factoring scheme is usually lower than traditional bank financing costs. Moreover, reducing the cost of financing improves suppliers' rate of return on assets. Finally, the system helps suppliers achieve better risk management of their client SMEs.

Based on the design developed under the FIRST-funded project, the World Bank, COFIDE, and Capital Tool Corporation—working directly with structuring, legal, and tax advisers—are coordinating an initial implementation of this factoring scheme.

In the first phase COFIDE and the supplier, through a fiduciary agent, create a special purpose vehicle (SPV). The SPV will issue a term note that COFIDE will purchase, **providing a US\$5 million capacity for financing SMEs**. The SPV will use the proceeds to purchase preselected accounts receivable from suppliers on a revolving basis, **extending financing to approximately 50,000 SMEs**, discounting invoices with an average size of US\$150 and average maturity of 14 days. In **the second phase**, the rating agencies will determine the risk of the financial instrument issued by the SPV. This rating will allow the SPV to sell participations in the financing to local institutional investors. At that point, it **could cover 250,000 client SMEs for a total funding amount of US\$30–40 million**.

**This factoring scheme was one of 14 winners of the challenge launched by the Group of 20 countries in 2010 to find new forms of financing for SMEs.** This recognition came with support to cover the cost of implementing the scheme in other countries. The scheme also attracted interest from other multilateral lending agencies. The Inter-American Development Bank and its finance arm, the Multilateral Investment Fund, have indicated their strong interest in participating as investors with local institutions that enter into the financing of the second phase.





## 4. Enhanced Crisis Preparedness

**FIRST committed US\$4.8 million in supporting crisis preparedness projects, helping more than 40 countries to improve the state of their preparedness to avoid and manage financial crisis, and thereby reduce the ensuing costs.**

Financial crises have become an all too common occurrence over the past 20 years, largely as a result of changes in finance brought about by increasing internationalization and integration. As domestic financial systems and economies have become more interlinked, weaknesses have begun to significantly affect not only individual economies but also markets, financial intermediaries, and economies around the world. Most crisis simulation exercises lead to follow-up TA requests to FIRST to implement the recommendations of an action plan and to strengthen a crisis preparedness framework.

FIRST's crisis preparedness products aim to minimize the disruption and fiscal costs generated by financial systemic breakdowns. They are categorized in five forms of TA:

**Contingency Planning:** Strengthening contingency plans involves assisting national supervisory authorities, central banks, resolution authorities (including deposit insurers), and finance ministries in developing a sound basis for responding to problems and managing crises through the design of, or improvement in, contingency plans and their underlying legal, policy, and institutional frameworks.

**Crisis Simulation Exercises:** These exercises enable participants to experience realistic crisis scenarios, including systemic crises. They are designed to identify weaknesses and gaps in existing laws, policies, and procedures. Regular use of such exercises enables authorities to strengthen their capacities to deal with financial distress, to practice the implementation of contingency plans, and to ensure that top officials are up to date on the game plan.

**Early Warning and Prompt Corrective Action:** This type of TA supports supervisory authorities in establishing processes to identify problems early and to engage with managements and boards to correct problems before they threaten a bank and its depositors. FIRST provides similar support to supervisors of other types of financial institutions, such as life insurance companies.

**Problem and Failing Bank Resolution:** This type of TA helps strengthen arrangements for formal supervisory measures (such as official warnings and cease-and-desist orders), for removal of ineffective managers or board members, and for bank closure or imposition of conservatorships and other forms of government intervention to avoid closure. This support can also involve establishing or strengthening depositor and investor protection regimes.

**Financial Analysis, Projection, and Least-Cost Test Model:** This tool, developed by the World Bank staff, can handle a wide range of analytical tasks to support routine, forward-looking supervision; effect prompt corrective action; and evaluate failure resolution alternatives.

FIRST can package these and complementary forms of TA to suit specific client needs and interests. Delivery of these products often constitutes a routine follow-up activity when an FSAP has identified apparent weaknesses in the authorities' capacity.



## Azerbaijan: Creating a Systemic Risk Response Framework

The project's objectives were (i) to design a tailor-made computer model (a systemic risk response framework) for the Azerbaijan financial system to diagnose weaknesses generated by exceptional but plausible shocks to individual institutions, as well as to the banking system as a whole; (ii) to provide a tool for the Central Bank of Azerbaijan (CBA) to improve its supervisory process; (iii) to assess systemic risk using econometric analysis; and (iv) to prepare a report on the findings of the model, which may help CBA to improve its prudential reporting requirements so as to better determine areas of focus in its supervisory strategy and plans.

**As a result of the project, in 2010 a framework was developed using the System Dynamics modeling methodology.** It allows for the modeling of complex systems and gives the CBA the ability to identify interdependencies between the elements of financial systems, including macroeconomic factors; bank balance-sheet items such as assets, liability, and equity; and bank behavior, such as loan loss provisioning and liquidity management.

The systemic risk response framework model has been evolving gradually, and its applicability has been tested many times. In 2011, the CBA requested a small follow-up TA from FIRST to fully operationalize the model in the context of that process.

The CBA's crisis preparedness has been improved: it now has more clear information and better capacity to project the situation of each bank as well as the banking system. **Additional steps are in progress to improve the CBA's capacity**, such as the use of multifactor scenario analysis in formulating a policy framework, in identifying parts of the system that may be more vulnerable to external shocks, and in examining the impacts of proposed policy changes on the financial system.

## Nepal: Strengthening Contingency Plans

The project's objective was to assist the Nepal Rastra Bank (NRB) to develop a contingency plan to ensure a prompt, effective response to financial distress and potential systemic crisis and to strengthen the policy response of the Nepalese authorities to instances of serious financial distress, thereby mitigating the negative impact of financial crisis situations on the real economy and on poverty. Two main objectives were to be achieved by developing the plan: (i) strengthened procedures to deal with systemic crisis and (ii) effective intra- and inter-agency coordination by the NRB with the other financial sector authorities, including information sharing, analysis, decision making, and internal and external communication.

**The legal powers, policies, and procedures for dealing with and resolving financial crises have been reviewed and gaps identified.** This work included an assessment of the adequacy of financial sector safety-net arrangements and resources for dealing with a crisis, and an assessment of the internal procedures of the Crisis Management Fund that the government set up during the implementation of the project. **In addition, internal and external communication and coordination strategies were reviewed and an analysis of the various interaction channels that may affect the overall banking system was conducted.**

The final recommendations on contingency planning were delivered to the authorities. They detailed preconditions for effective crisis management and the development of a crisis management framework and a step-by-step plan for handling the crisis. All the work was completed within six months of receiving the government request in May 2010.

**NRB has begun implementing the recommendations.** A Senior Policy Group has been formed, and a technical committee, headed by the deputy governor, has been set up at NRB to act as its secretariat. The Analysis Unit at NRB is conducting stress tests. The project also built the foundation for a follow-up project on bank resolution and led to a TA request from NRB.



## Morocco: Improving Crisis Preparedness Using a Financial Crisis Simulation

The first crisis preparedness project funded by FIRST took place between December 2008 and June 2009. The project's objective was to test how regulatory agencies would respond to the emergence of serious problems in one or more financial institutions; to test intra- and inter-agency coordination by the authorities in such a situation, including information sharing, analysis, decision making, and communications; to ascertain the adequacy of existing laws, regulations, policies, and procedures for dealing with such situations; and to identify scope for improvement in all these areas.

The crisis simulation exercise in May 2009 explored these issues through a scenario that culminated in the failure of the third largest bank in the system. Heads of the authorities (BAM, the ministry, the Securities Ethics Board, and the Department of Insurance and Social Welfare) participated directly in the exercise with their senior management teams. The report on the exercise identified weaknesses and gaps in current arrangements and provided recommendations and a road map to address them.

The exercise was designed to test how the authorities would work together to manage a potential systemic crisis in the financial system. **The exercise enabled the monetary authorities to discover that their financial crisis arrangements warranted improvements in two areas: crisis management processes and policy design.** In the crisis management process, the exercise revealed the need for much stronger and more concrete coordination arrangements between the authorities. In policy design, the exercise showed that further work is needed to clarify current policies and how they are applied in practice.

The important result of the project was that the Moroccans established a working group under the Financial Stability Committee charged with implementing reforms that were identified in the project. Based on the recommendations of the project report, **Moroccan monetary authorities decided to implement an action plan aimed at closing the gaps revealed by the simulation. As a result, the governor and the prime minister requested a follow-up TA from FIRST**, which was implemented between September 2010 and February 2011.

The follow-up project resulted in three achievements: (i) **a crisis management memorandum of understanding**, establishing a formal structure for coordination between the authorities (and the responsibilities of the individual authorities) for monitoring risks to financial stability in normal times and in crisis; (ii) **a framework for systemic assessment**, establishing a shared understanding of how shocks to the Moroccan system will be evaluated (including supporting arrangements for information sharing); (iii) **an agreed strategy for reforming arrangements for the resolution of failing financial institutions**, including the introduction of a special resolution regime for banks and a review of the application of securities regulations in a crisis (listing requirements, disclosure rules, etc).

The client provided the following feedback: "We are satisfied with the technical assistance provided by the FIRST Initiative in conducting the simulation exercise in Morocco, as the first MENA country. The knowledge transferred to the working team is very worthy. We are expecting to keep on the same effort in order to achieve all objectives set during different stages of preparation."



## 5. Strategic FSAP Implementation

**Systematic follow-up on the recommendations of financial sector diagnostic work can be challenging, even for committed financial sector authorities.** Diagnostic work such as the World Bank/IMF FSAP can help national financial sector authorities to identify the key legal, regulatory, and supervisory impediments to development of the sector. However, implementing such diagnostics can be a complex undertaking in the face of limited capacity to prioritize the recommendations and to translate them into manageable, actionable steps. This situation is often compounded by difficulty in raising the necessary TA funding for implementation work.

FIRST's FSDS projects address these challenges through a logical, sequenced approach, delivering a relevant, clearly defined strategy and action plan to strengthen the financial sector with **the critical short-term outcome of catalyzing significant donor funding to take implementation forward.**

**The FSDS process consists of three key stages:**

### **Effective prioritization and country ownership**

To ensure the relevance of the FSDS and ownership of it by the country, the project starts with prioritizing and sequencing reform recommendations through the country's strategic lens. In addition to the FSAP, the process incorporates the country's specific national priorities such as existing national development plans or subsector development strategies, or other donor assistance strategies, as well as new priority areas for financial sector development.

### **Implementation road map**

Once the recommendations are prioritized and discussed with the authorities, expert FIRST-funded consultants develop a comprehensive action plan. To that effect, they conduct additional analytical work as necessary and then work directly with the National Steering Committee, subcommittees, and other stakeholders to prepare a cohesive, comprehensive sector development strategy. To ensure the strategy is concrete and can be implemented, it includes a detailed, time-bound, and budgeted action plan.

### **Donor coordination and leverage**

The FSDS process culminates with a presentation of the strategy and its action plan to relevant donors and stakeholders to obtain their financial and technical support for the implementation of each recommendation. **FIRST's experience shows that the FSDS is a highly effective tool for catalyzing financial support for implementation work.**



## Malawi: Financial Sector Development Strategy

***All told, more than US\$28 million has been catalyzed by FIRST's initial investment of less than US\$200,000 toward the implementation of the Malawi FSDS.***

The Malawi FSAP, completed in December 2007, concluded that despite progress in building a privately owned and managed banking sector, a considerable development agenda remained to be addressed. The report included 25 main recommendations for the financial sector, of which 10 were identified as “immediate” priorities and the remainder as “medium-term” priorities. Many of these recommendations were couched in general terms.

In addition to the FSAP, Malawi benefited from a 2008 FinScope demand-side study that confirmed the magnitude of the challenges the country faced: 55 percent of the population was financially excluded, and among those with some financial access only 26 percent used formal banking. A complementary supply-side study identified the key barriers to financial access as (i) the limited accessibility of financial service points (branches and outlets), (ii) high transaction costs, (iii) capacity constraints, (iv) the crowding effect of the public sector, and (v) the lack of market coordination and harmonization between public and private initiatives seeking to promote better access to financial services.

Malawi's financial sector authorities, including the Ministry of Finance and the central bank (Reserve Bank of Malawi), recognized the real challenges identified by the FSAP and FinScope studies. They were ready to move ahead on significant financial sector reforms; however, two key questions remained: how to define and prioritize the various steps, and how to fund the necessary implementation work. On the recommendation of the World Bank's Africa Financial Sector team, the Malawi authorities successfully submitted a request for a FIRST-funded FSDS. The resulting strategy, completed in 2010, drew on the FSAP and other analytical work, and included a clear, prioritized road map of actions and measures designed to contribute to developing a sound, efficient, and inclusive financial sector.

On the basis of this action plan and the demonstrated commitment of the Malawian authorities, the completed strategy mobilized significant funding for implementation. First, the World Bank assisted the authorities in structuring a Bank-financed financial sector TA project. The reforms supported by this project align directly with the priorities and actions identified during the FSDS as well as Malawi's larger economic development strategy, which aims to establish a foundation for longer-term economic growth by improving both infrastructure and the investment climate. The main areas to be financed under the project include (i) assistance to the Reserve Bank of Malawi in strengthening the regulation and supervision of the banking, microfinance, insurance, and pension industries; (ii) financial infrastructure upgrades, including a legal review of the payment system, an upgrade of its infrastructure, and assistance in enabling microfinance institutions to utilize the system for small-value payments; (iii) TA to strengthen the legal and regulatory framework for financial consumer protection, including developing a program for consumer awareness and financial literacy; and (iv) TA to the Ministry of Finance on financial management and state interventions in the financial sector.

The World Bank, USAID, and DFID have mobilized to support Malawi's FSDS implementation through the development of the Multidonor Financial Sector Deepening Trust, in which funds will be pooled to support commonly agreed development objectives and activities alongside conventional project components that are supervised by the World Bank.



## Rwanda: Financial Sector Development Plan (Update)

***On the basis of the FSDP, a broad range of donors made commitments of financing for technical assistance in excess of US\$30 million.***

Financial sector development was always a high priority for the government of Rwanda, as an integral element of its long-term plan to transform Rwanda into a middle-income country and an economic trade and communications hub. In the last decade, like most other countries in Sub-Saharan Africa, Rwanda has followed an economic liberalization program that includes privatization of the financial sector to encourage market-determined prices for financial services, promote the entry of international players, and enhance market competition.

Despite the reforms, however, the Rwandan authorities recognized that the financial sector was still far from being able to play its role in mobilizing savings, conducting effective intermediation, and financing the country's ambitious economic reform agenda. Following the 2005 FSAP, which diagnosed and recommended solutions for a number of weaknesses in the financial sector, the Rwandan government needed a plan for implementing the recommendations in a systematic, actionable way. This need resulted in the preparation of the Financial Sector Development Plan (FSDP) Project, financed by FIRST, with TA from the World Bank's Africa Financial Sector team.

The first phase of the FSDP (approved in 2006 and completed in 2007) was designed to prepare an action plan that prioritized the areas of TA needed. The government presented the action plan to its development partners in 2007, seeking financial and technical assistance for implementing the prioritized action items. On the basis of the FSDP, a broad range of donors committed to finance TA in excess of US\$30 million, including projects funded by the World Bank, the International Finance Corporation, the IMF, DFID, the Netherlands, and the African Development Bank.

FIRST also contributed directly to the implementation of the FSDS action plan by financing a second phase of the project (approved in 2008 and completed in 2010) that implemented selected financial sector reforms outlined in the plan. All in all, the two phases of the FSDP project resulted (directly or through other donor projects) in the successful implementation of more than 100 specific elements of the FSDP action plan, including these key ones:

- Drafting legislation for the regulation and supervision of collective investment schemes
- Drafting legislation for the regulation of pension schemes and personal retirement savings accounts
- Drafting laws and regulations for the payments system, and preparing user requirements and technical specifications for the Rwanda integrated payments processing system

Based on the success of the two phases of the FSDP project, FIRST recently approved a request from the government (Central Bank and Ministry of Finance) for a third phase (FSDP 2011). The US\$437,000 project, approved in October 2011, has the main objective of assisting the Rwandan authorities with the elaboration of the FSDP 2011, on the basis of the recommendations of the February 2011 Rwanda FSAP update. The FSDP 2011, will build on the first two phases and provide a comprehensive strategy and action plan to further financial sector development in Rwanda.



## Tajikistan: Post-FSAP Financial Sector Legal and Regulatory Reforms and Strategy Development

*Through close donor coordination and a final donor workshop, the FSDS resulted in significant leverage for implementation, including full donor funding for 48 of the 69 action items (70 percent).*

The 2007 FSAP report for Tajikistan, prepared jointly by the World Bank and the IMF, diagnosed and recommended solutions for a number of weaknesses in the financial sector. In particular, it identified an urgent need to strengthen the legal and regulatory framework and to harmonize conflicting laws and regulations, including those regarding governance of the central bank (National Bank of Tajikistan), bank governance, banking secrecy, licensing, consolidated supervision, remedial action, loan classification, the payment system, secured lending, and deposit insurance. The FSAP also included numerous recommendations to be addressed in the medium to longer term.

FIRST thus took a two-pronged approach to FSAP implementation with the US\$598,950 post-FSAP project that was approved in July 2008. First, the project aimed to amend and prepare financial sector laws and regulations (and simultaneously provide training) to ensure that the immediate needs identified in the FSAP were addressed without delay. Second, the project helped the authorities to prepare a medium-term FSDS and a time-bound action plan to implement the remaining FSAP recommendations in a structured, sequenced way, and to attract additional donor funding for implementation.

**Through the FIRST project, significant progress was made in reforming Tajikistan's legal and regulatory frameworks, and a clear road map was laid out for future reforms with the support of a broad range of donors. The specific results of the two components:**

### **Immediate legal and regulatory reforms that strengthened the financial system**

The FIRST-funded TA resulted in substantial legal and regulatory reform, including an amended central bank law, a new banking law, a new deposit insurance law, and a new bank liquidation law. Approved by the parliament and signed into law, all of them addressed critical issues identified by the FSAP. The TA also resulted in a draft payment system law and the revision of nine key banking regulations. Regulatory and supervisory staff was also formally trained through a participatory process that included workshops with the central bank and stakeholders to discuss the proposed amendments.

### **A medium-term FSDS to guide further FSAP implementation**

The government officially issued a detailed FSDS and a time-bound action plan comprising 69 actions. They were prepared in a participatory process with the central bank, sector stakeholders, and—critically—donors.

The FSDS has led to a potential World Bank (IDA) project to finance an upgrade of the real-time gross settlement system and the collateral registry, as well as several other FIRST projects: a FIRST payment system project was approved in 2011, and two additional projects have been submitted to strengthen banking sector regulation and supervision, and to reform the secured transactions laws.

Through close donor coordination and a final donor workshop, the FSDS also resulted in significant leverage for implementation, including full donor funding for 48 of the 69 action items (70 percent). The donors included the World Bank, the IMF, the European Bank for Reconstruction and Development, the United Nations Office on Drugs and Crime, USAID, SECO, the United Nations Development Programme, the German Agency for Technical Cooperation, and the European Commission.



## 6. Legal Reform

Since its inception in 2003, FIRST has committed US\$24 million in supporting projects that have led to improvements in the legal and regulatory frameworks of about 100 countries. Table 3 lists the allocation of these projects by sector.

*Table 3. Projects to Improve Legislation by Sector, cumulative as of June 30, 2011*

Sector	US\$, million	%
Capital markets	4.7	22
Insurance	4.4	21
Banking	2.9	14
Financial infrastructure	2.0	9
Pensions	2.0	9
Multisector/others	1.5	7
Access to finance	1.5	7
Other NBFIs	1.4	7
Crisis preparedness	0.8	4
<b>Total</b>	<b>21.2</b>	



Legal reform is a significant component of many complex, phased, or programmatic interventions in which FIRST has invested significant resources. Without underlying legal and regulatory work, very few financial sector reform projects could maintain sustainable results.

FIRST's TA in legal reform is most effective when it is part of organized policy planning and implementation. As such, those FIRST legal projects that closely follow on FSAPs or ROSCs prove more sustainable. They also are the most likely to demonstrate immediate impact in the legal environment. Such projects have proven fundamental to building financial systems that are strong, resilient, and stable.



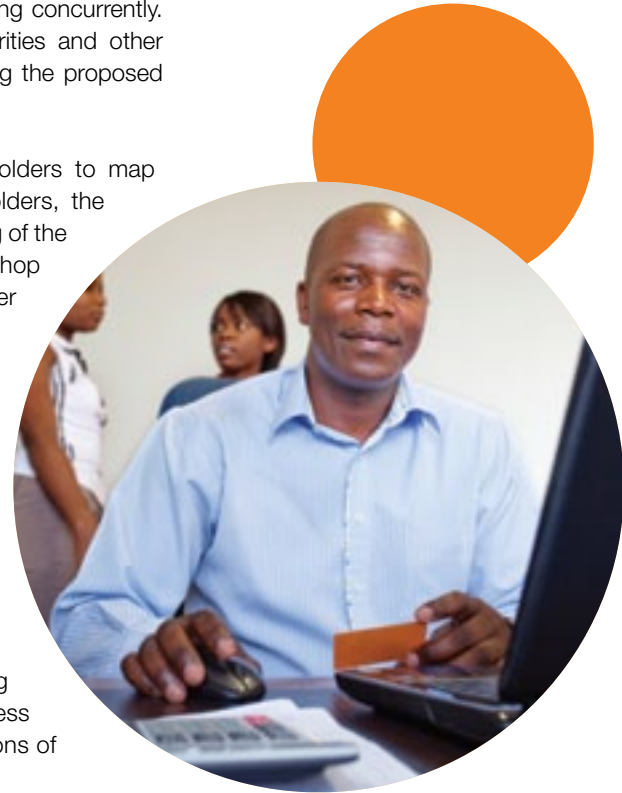
## The Gambia: Establishing the Legal Basis to Regulate the Accountancy Profession

A significant finding from the February 2010 Accounting & Auditing (A&A) ROSC in The Gambia was that the country does not have a modern regulatory framework of A&A. More specifically, there was no legally backed arrangement in the country to mandate the application of internationally accepted accounting and auditing standards. These regulatory weaknesses have contributed to weak corporate financial reporting. Therefore, the authorities requested assistance to develop a modern statutory framework in line with international good practices.

A specific feature that enabled successful implementation was the project design, which was modified through FIRST's peer-review process. The project scope had originally been broader, with the legal drafting and the implementation of institutional measures running concurrently. Through the peer-review process, it became apparent that the key authorities and other stakeholders had a limited understanding of the recommendations underlying the proposed reforms.

Therefore, the project launched with a kick-off workshop for key stakeholders to map the broader implementation plan and to ensure that government stakeholders, the accounting profession, and other interested parties had a clear understanding of the ROSC recommendations and accepted the planned way forward. The workshop embedded the planned A&A reforms squarely within the authorities' broader strategic reforms. Participants developed an outline of a country action plan that detailed the commitments of all stakeholders necessary to implement the policy reforms from the FSAP.

**The A&A legislative project thus enables the government to begin relevant legislative and regulatory reforms that support different aspects of financial sector strengthening.** The new Financial Reporting Act, which has been submitted to the Minister of Finance for Cabinet approval and submission to the National Assembly for enactment, will form the legal basis to establish a clear set of rules for regulating the accountancy profession, including professional qualification examination and practical training requirements for licensing professional accountants and practicing auditors. The legal framework will enable economic decision makers to access more reliable financial information about the operations and financial conditions of financial sector entities.



## Colombia: Improving Crisis Preparedness by Mending Inadequacies in the Legal Framework



Following a pilot FIRST-funded crisis simulation project, Colombian authorities requested assistance in identifying in detail specific ways to strengthen institutional weaknesses that could undermine their ability to respond effectively to financial distress and systemic crises. As in many such crisis preparedness projects, the most serious and difficult weaknesses were inadequacies in the legal framework. Primarily, they related to insufficient powers of relevant authorities and enabling regulations or a statutory legal framework to employ all available legal authority.

**Because the project followed immediately after the crisis simulation that identified the systemic weaknesses, FIRST was able to capitalize on the awareness raised and the authorities' commitment to address key legal limitations that prevented the development of an effective crisis resolution toolkit.** Moreover, because of the connection to the earlier crisis simulation, the authorities were able to use the toolkit to quantify the likely effects of the legal weaknesses by estimating the potential fiscal exposure and financial sector spillover such limitations would bring. So stakeholders' engagement in the legal reforms is high.

The authorities appreciated the effectiveness and efficiency of the project's implementation. Although it is still early to assess the long-term impact of the overall project, which was completed in 2010, it is apparent that the quick identification of solutions for the legal framework has triggered substantive discussion on revamping the overall resolution framework. In doing so, the authorities can learn from the global financial crisis and assess the options provided by the consultants' outputs. The authorities singled out the lead consultant's preparation and delivery of a presentation as a critical tool that greatly enhanced their absorption of the legal recommendations.

## Albania: Bringing Insurance Supervision Closer to European Standards by Moving to a Risk-Based Approach



In the context of the capacity-building strategy for the Albanian Financial Services Authority (FSA), this FIRST project involved **setting up an effective methodology to transition to a risk-based supervisory approach and conducting a legal review to upgrade the legal framework** in Albania. Because the project's timing and design was embedded in the FSA strategy, the project design was mapped over a longer-term, institution-wide change management effort by the FSA. The project was also designed to help refine the contours of follow-up workstreams needed to fill gaps and maintain the momentum. For FIRST, this was a relatively large project, with the development of the comprehensive legal framework for insurance being the key starting point for strengthening the insurance framework.

The legal review, conducted in 2009, paved the way for restructuring the legal framework for and supervision of the Albanian insurance market, as the authorities designed the reform around the direct outputs of the review. The FSA used the legal recommendations to upgrade the insurance legal framework in line with the European Union approach and to engage the insurance industry in discussions of longer-term amendments to the legal framework and supervisory approach that will lead to a risk-based supervision model.

Reactions in international circles show that **the market appears to be supervised in a professional manner following the implementation of the project.** The authorities report that basing the legal TA in the European Union directives was forward-looking and is helping to lead Albania's EU accession integration.

# Annex I. Sources and Uses of Funds

## FINANCIAL STATEMENTS

The year ended June 30, 2011, was a solid one for FIRST. As reported in chapter 2, new projects were approved with a value of US\$12.1 million—representing an increase of 58 percent over the previous year. In accordance with the administration agreements, donors paid in US\$4.1 million into the trust fund, and US\$0.2 million was credited to the trust fund as investment income. The trust fund disbursed US\$9.3 million for project implementation and administration expenses.

As of June 30, 2011, FIRST's cash balance stood at US\$31.2 million, of which US\$10.2 million was committed to ongoing World Bank–implemented projects. Donor contributions receivables were US\$8.3 million.

The Combined Statement of Receipts, Disbursements, and Fund Balance, and its accompanying notes are as follows:

Combined Statement of Receipts, Disbursements, and Fund Balance (US\$)		
	as of 6/30/11	as of 6/30/10
<b>Contributions (note 2)</b>		
Canada	17,762,763	15,742,561
Germany	3,995,535	1,939,600
Luxembourg	361,250	361,250
Netherlands	12,128,097	12,128,097
Sweden	6,772,243	6,772,243
Switzerland	21,865,119	21,865,119
United Kingdom	40,392,173	40,392,173
<b>Total contributions</b>	<b>103,277,180</b>	<b>99,201,043</b>
Net investment income (note 3)	7,935,890	7,700,429
<b>Total receipts</b>	<b>111,213,070</b>	<b>106,901,472</b>
Disbursements (note 4)	53,945,986	48,043,873
IMF subaccount (note 5)	10,666,011	9,696,282
Administrative fees (note 6)	3,243,698	3,039,891
Coordination Unit and Steering Committee expenses	3,774,790	3,774,790
Program Management Unit expenses	8,385,405	6,148,893
<b>Total disbursements</b>	<b>80,015,890</b>	<b>70,703,729</b>
<b>Excess of receipts over disbursements</b>	<b>31,197,180</b>	<b>36,197,742</b>
Fund balance		
Beginning of period	36,197,742	32,165,954
Movement during the year	(5,000,562)	4,031,788
<b>End of period</b>	<b>31,197,180</b>	<b>36,197,742</b>
<b>Trust fund's share of cash and investment in Pool</b>	<b>31,197,180</b>	<b>36,197,742</b>

## NOTE 1. BASIS OF ACCOUNTING

The accompanying financial statement has been prepared on the cash receipts and disbursements basis of accounting, modified to record the share in the pooled cash and investments at fair value (modified cash basis of accounting). Accordingly, net investment income includes realized and unrealized investment income/loss.

The modified cash basis of accounting is a comprehensive basis of accounting that differs from accounting principles generally accepted in the United States of America (U.S. GAAP) or International Financial Reporting Standards (IFRS). Receipts, with the exception of net investment income as described above, are reported when collected rather than when pledged/earned, and disbursements are reported when paid.

The International Bank for Reconstruction and Development (IBRD) is an international organization that conducts its operations in the currencies of all of its members. Contributions and disbursements in currencies other than the reporting currency of U.S. dollars, if applicable, are recorded at the market rates of exchange in effect on the transaction dates. Transaction gains or losses, if any, on disbursements are borne by IBRD.

Amounts paid into the trust fund but not yet disbursed are managed by IBRD as Trustee. IBRD maintains an investment portfolio (the Pool) for all of the trust funds administered by IBRD, the International Development Association, the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes (collectively, the World Bank Group). IBRD maintains all trust fund assets separate and apart from the funds of the World Bank Group.

## NOTE 2. CONTRIBUTIONS

Conversions into U.S. dollars of contributions received in various currencies are initiated by IBRD upon the receipt of funds and receipt of countersigned administration agreements. The amounts committed by the donors and received by IBRD for the period from November 22, 2002 (date of inception), through June 30, 2011, are as follows:

### *Low-income funds*

Donor		Amounts committed		Amounts received	Contributions received (converted to US\$)
PHASE I					
Netherlands	EUR	6,660,000	EUR	6,660,000	7,816,897
Sweden	SKr	20,000,000	SKr	20,000,000	2,626,714
Switzerland	Sw F	8,400,000	Sw F	8,400,000	6,515,392
United Kingdom	GBP	11,900,000	GBP	10,827,756	18,782,815
					35,741,818
PHASE II					
Canada	CDN	5,000,000	CDN	5,000,000	4,714,377
Germany	EUR	2,450,000	EUR	1,750,000	2,452,255
Luxembourg	EUR	250,000	EUR	250,000	361,250
Sweden	SKr	40,000,000	SKr	30,000,000	4,145,529
Switzerland	US\$	3,500,000	US\$	3,499,973	3,499,973
Netherlands	EUR	7,000,000	EUR	3,000,000	4,311,200
United Kingdom	GBP	7,300,000	GBP	7,300,000	13,559,580
					33,044,164
Total Low-Income Fund Contributions					68,785,982

### Middle-income funds

Donor	Amounts committed		Amounts received		Contributions received (converted to US\$)
<b>PHASE I</b>					
Canada	CDN	12,000,000	CDN	7,999,960	5,668,221
			US\$	2,665,788	2,665,788
Switzerland	Sw F	5,600,000	Sw F	5,600,000	4,349,806
United Kingdom	GBP	5,100,000	GBP	4,640,467	8,049,778
					20,733,593
<b>PHASE II</b>					
Canada	CDN	5,000,000	CDN	5,000,000	4,714,377
Germany	EUR	1,550,000	EUR	1,100,000	1,543,280
Switzerland	US\$	7,500,000	US\$	7,499,948	7,499,948
					13,757,605
Total Middle-Income Fund Contributions					34,491,198
Combined Phase I and Phase II contributions					103,277,180

### NOTE 3. NET INVESTMENT INCOME

The Pool is divided into subportfolios to which allocations are made based on fund-specific investment horizons, risk tolerances, and/or other eligibility requirements for trust funds with common characteristics as determined by IBRD, in accordance with the trust fund agreements. The Pool is invested in liquid financial instruments such as time deposits, money market securities, government and agency obligations, and asset-backed securities. The Pool may also include securities pledged as collateral under repurchase agreements with other counterparties and receivables from resale agreements for which it has accepted collateral. Additionally, the Pool includes derivative contracts such as currency forward contracts, currency swaps, interest rate swaps, and mortgage-backed securities To-Be-Announced trades. Payables and receivables associated with the investment activities are also included in the Pool.

The Pool is a trading portfolio and is reported at fair value with gains/losses included in net investment income. The share in the pooled cash and investments represents the trust fund's share of the Pool's fair value at the end of the reporting period.

Net investment income consists of the trust fund's allocated share of the following: interest income earned by the Pool, realized gains/losses from sales of securities, and unrealized gains/losses resulting from recording the assets held by the Pool at fair value. Net investment income in the amount of US\$235,461 and US\$7,935,890 was credited to the trust fund during the year ended June 30, 2011, and for the period from November 22, 2002 (date of inception), to June 30, 2011, respectively.

### NOTE 4. DISBURSEMENTS

During phase I of FIRST's operations (fiscal 2003–2007), IBRD acted in its capacity as a fiscal agent, disbursing amounts from the trust fund to a disbursement bank account for payments to technical assistance providers. The phase I administrative arrangements also provided for IBRD to make contributions to FIRST under the Development Grant Facility (DGF). As of June 30, 2011, contributions in the amount of US\$1,210,000 have been made through the DGF window and have been fully disbursed on projects. The DGF contributions have been excluded from the disbursements in this statement as they were paid directly to the phase I management unit and have been fully accounted for.

As of March 1, 2007, all payments to technical assistance providers are disbursed directly from IBRD and are made in accordance with IBRD's policies and procedures. Disbursements also cover IBRD and IMF staff time and travel costs. During the year ended June 30, 2011, direct project disbursements from the trust fund were US\$5,902,113.

## NOTE 5. IMF SUBACCOUNT

The phase II administrative arrangements provide that IBRD disburses to the IMF subaccount 15 percent of net paid-in contributions for IMF-executed activities. During the year ended June 30, 2011, FIRST disbursed US\$969,729 to the IMF. To date, disbursements to the IMF total US\$10,666,011 (see table below.)

	Donor Contributions	World Bank Administration Fee (5%)	Net Contributions	IMF 15%	FY 2011 Cumulative Disbursements to IMF	FY 2010 Cumulative Disbursements to IMF	Disbursed to IMF during FY 2011	Due to IMF as of June 30, 2011
Cumulative new phase II contributions received	46,801,769	(2,340,088)	44,461,681	6,669,252	6,669,252	5,699,523	969,729	0
Phase I balance transferred to phase II	6,645,058	0	26,645,058	3,996,759	3,996,759	3,996,759	0	0
Total	73,446,827	(2,340,088)	71,106,739	10,666,011	10,666,011	9,696,282	969,729	0

As of June 30, 2011, the IMF subaccount had a cash balance of US\$6,471,722, of which US\$2,590,328 million was committed to ongoing projects.

## NOTE 6. ADMINISTRATION FEES

During phase I, to assist in the defrayment of costs incurred for administration, supervision, and oversight of the trust fund, IBRD retained from the investment income received by the fund an amount equal to 1.6 percent of the contribution amount. All remaining income was credited to the trust fund.

During phase II, in accordance with its expanded role and the administration agreements, IBRD retains 5 percent of the contributions for the administration of the trust fund. Administrative fees in the amount of US\$203,807 and US\$3,243,698 were deducted by IBRD during the year ended June 30, 2011, and from November 22, 2002 (date of inception), to June 30, 2011, respectively.

## Annex II. Projects Approved in Fiscal 2011

Country	Project title	Activity description	Amount (US\$)
<b>SUB-SAHARAN AFRICA</b>			
Benin	Crisis Resolution and Vulnerability Assessment	Assessing the vulnerability of the financial sector as a result of the current crisis in microfinance, and developing an effective crisis resolution framework that can be integrated with that of the Banking Commission of the West African Economic and Monetary Union	184,427
Botswana	Financial Sector Development Strategy	Developing a Financial Sector Development Strategy (FSDS) and related action plan as a follow-up to the 2007 Financial Sector Assessment Program (FSAP)	389,200
Cape Verde	Enhancing Bank Supervision and Crisis Resolution	Enhancing capacity in the oversight of the financial system in line with the 2009 FSAP recommendations, focusing on (i) banking supervision, (ii) banking soundness assessment, and (iii) banking crisis management and resolution	231,650
Djibouti	Banking Supervision	Assisting with the drafting of new instructions to the new banking law, new inspection manuals, new regulations, and new reporting tools.	98,310
Kenya	Strengthening Accounting and Audit Legal Framework	Drafting necessary amendments to the law and regulations governing the accountancy profession and corporate financial reporting matters to incorporate relevant international good practices that apply to developing and emerging market economies	106,250
Lesotho	Strengthening Pension Supervision	Addressing the need to put in place a clear legal and regulatory framework for the supervision of the pension sector through assistance with drafting the pension law and its implementing regulations and guidelines	98,500
Lesotho	Strengthening Insurance Supervision	Enhancing knowledge and capacity in developing and implementing prudential regulations and guidelines for insurance companies, improved frameworks for insurance operations, and the ability to develop future sustainable policies for the insurance industry	163,963
Liberia	Capital Markets Strategy and Legal and Regulatory Framework	Ensuring the orderly development of capital markets by providing a capital markets needs assessment and formulating a capital market development strategy	229,100
Liberia	NBFI Regulatory and Supervision Framework	Establishing a best-practice legal, regulatory, and supervisory framework for nonbank financial institutions and promoting orderly development of this sector in a diverse, modern, safe, and sound manner	300,400
Mauritania	Financial Sector Development Strategy	Assisting the authorities in developing an FSDS and related action plan as a follow-up to the 2006 FSAP	306,250
Mozambique	Stress Testing and Payment System Oversight	Developing a methodology in stress testing and a framework for conducting payment systems oversight, and providing training to build skills for overseeing systemically important components of the payment systems	219,344
Mozambique	Financial Sector Development Strategy	Revising the existing broad financial sector development framework document into a full-fledged FSDS and a detailed, realistic, budgeted, and time-bound action plan as a follow-up to the 2009 Mozambique FSAP update	227,550
Namibia	Strengthening Nonbank Financial Institutions Supervision	Assisting the Namibia Financial Institutions Supervision Supervisory Authorities to strengthen its capacity to regulate and supervise nonbank financial institutions	164,415
Namibia	Financial Crisis Simulation Exercise	Introducing crisis simulation exercises as a tool that the supervisory agencies can use to test and enhance their system for efficiently dealing with financial distress and potential systemic crisis, and strengthening the agencies' mechanisms for identifying common vulnerabilities across institutions	248,000
Namibia	Creating a Legal and Regulatory Framework for Deposit-Taking Microfinance Institutions	Increasing access to finance for SMEs and low-income individuals by creating a legal framework and accompanying regulations for specialized deposit-taking microfinance institutions that will be able to offer low-income clients and microenterprises a full range of financial services	211,305
Niger	Financial Sector Development Strategy	Assisting the authorities in developing an FSDS and related action plan as a follow-up to the 2008 Niger FSAP and 2007 WAEMU regional FSAP	245,121

Country	Project title	Activity description	Amount (US\$)
Nigeria	Enhancing the Capacity of the Securities Exchange Commission	Enhancing the capacity of the Securities and Exchange Commission to more effectively oversee and monitor the capital market institutions and participants, including the Nigeria Stock Exchange, improving transparency and reducing market abuse	162,000
Rwanda	Bank Supervision Capacity-Building Assistance to the National Bank of Rwanda	Assisting the National Bank of Rwanda in building capacity in banking supervision, including, in particular, training in bank examination procedures, CAMEL analysis, and assessment techniques for risk-based supervision	98,310
Rwanda	Implementing Risk-Based On-site Inspection for the Insurance Sector	Implementing risk-based inspection of insurance companies, enhancing insurance supervisors' skills in evaluating risk-management systems, and familiarizing insurance companies and other stakeholders with the risk-based supervision methodology	181,425
Seychelles	Review of Publicly Owned Financial Institutions	Developing strategy and policy approach to adopt, and specific actions to take, to reform the Development Bank of Seychelles, the Housing Finance Company, and the Concessionary Credit Agency	149,348
Seychelles	Strengthening the Insurance Regulatory Framework	Strengthening the insurance regulatory framework and supervision to encourage a sound and efficient insurance sector that promotes policyholder confidence	249,559
Sierra Leone	Strengthening Internal Audits at the Bank of Sierra Leone	Improving the effectiveness of risk management, control, and governance processes within the bank, to contribute to a more stable financial system	115,700
South Africa	Developing and Strengthening Contingency Planning	Assisting the National Treasury of South Africa in strengthening and formalizing relevant contingency plans for efficiently managing financial distress and potential systemic crisis	179,300
Tanzania	Development of Supervisory Framework for Finance Leasing Operations	Developing the supervisory framework for finance leasing operations in the country, including on-site and off-site, as well as reporting formats for finance leasing companies	241,400
Tanzania	Development of Regulatory and Supervisory Framework	Developing a specialized legal, regulatory, and supervisory framework for Development Finance Institutions (DFIs), including building the capacity of staff of the Supervision Department of the Bank of Tanzania, who will oversee the DFI sector	155,200
Uganda	Crisis Preparedness	Assisting the Bank of Uganda and other supervisory agencies overseeing the financial sector in testing and enhancing their capacity to prepare for and efficiently manage bank failures and the consequences of a financial systemic crisis and to ensure an effective, collective, inter-agency response	310,500
Zambia	Risk-Based Supervision	Ensuring the effective implementation of a comprehensive risk-based supervision regime and the supporting organizational structure, policies, and procedures for the departments responsible for financial sector supervision to mitigate potential risks	376,300
Zimbabwe	Development of a Securities Regulatory Framework	Developing a securities regulatory framework in line with international standards and best practices on securities regulation and well adapted to the local context, and improving securities market supervision and enforcement procedures and capacity	189,700
Zimbabwe	Stress Testing	Improving the stress-testing framework in Zimbabwe by reviewing the current stress-testing framework and enhancing it where necessary	153,680
<b>Total for region</b>			<b>5,986,207</b>
<b>EUROPE AND CENTRAL ASIA</b>			
Albania	Liberalizing MTPL Insurance Market	Developing a policy and system to move away from centrally managed tariff-based pricing toward a fully liberal motor third-party liability (MTPL) market; and working to adapt the legal framework to the European directives, according the commitments of Stabilization and Association Agreement with the European Union	327,700
Belarus	Post-FSAP Support for Securities Market Development	Developing a more effective and diversified financial market in Belarus, supported by a strong regulatory and supervisory body, by ensuring broad compliance of Belarusian securities market laws and regulations with IOSCO principles and their alignment with relevant EU directives	244,900
Bosnia and Herzegovina	Strengthening Consumer Protection in Banking and Microfinance Sectors	Strengthening the legal and regulatory framework for consumer protection, and improving the institutional framework to deal with consumer protection in the banking and microfinance sectors	239,950



Country	Project title	Activity description	Amount (US\$)
Kosovo	Financial Stability and Supervision–Central Bank of Kosovo	Assisting in the formulation of strategic direction and planning of the Central Bank of Kosovo, in response to changes in the policy and operational environments	320,165
Kyrgyz Republic	Strengthening Bank Supervision and Resolution	Strengthening the capacity of the National Bank of the Kyrgyz Republic to (i) identify and address immediate and potential future bank-level and system-level vulnerabilities in the banking sector in a timely manner and (ii) handle problem banks effectively	124,755
Kyrgyz Republic	Corporate Financial Reporting	Assisting the country authorities and stakeholders in initiating reforms in corporate financial reporting on the basis of the recommendations of the November 2008 Accounting and Auditing Report on Observance of Standards and Codes (A&A ROSC)	209,600
Moldova	Forecasting and Policy Analysis–Central Bank of Moldova	Assisting the authorities in strengthening the analytical and technical capabilities of the Department of Monetary Policy and Research through the development of a simple but comprehensive structured forecasting and policy analysis system	229,390
Tajikistan	Payment Systems Modernization	Improving the safety and efficiency of Tajikistan's payment systems; promoting market confidence in the payment systems and, thereby, in the financial sector and financial institutions, leading to greater deposit mobilization; and increasing the volume of electronic card payments made through the National Processing Centers, as well as inter-bank settlements through the real-time gross settlement system	249,095
<b>Total for region</b>			<b>1,945,555</b>
<b>SOUTH ASIA</b>			
Bangladesh	Developing Capital Market Development Plan	Assisting the Securities and Exchange Commission in developing a comprehensive capital market development plan	124,000
Bangladesh	Contingency Planning	Strengthening the policy response of the Bangladesh authorities to instances of serious financial distress, thereby mitigating the negative impact of financial crisis situations on the real economy and poverty	145,000
Bhutan	Developing and Strengthening the Regulatory Framework of Pension, Provident Fund, and Other Such Schemes	Helping the Royal Monetary Authority (i) to revise the National Pension Policy if needed; (ii) to redraft the Pension Act and regulations to make them consistent with the Employment and Labor Act of 2007 and the National Pension Policy of 2010; and (iii) to review investment policies and opportunities for private pensions	123,000
Maldives	Strengthening supervision of Pensions	Supporting the capacity of the newly created Pension Supervision Department within the Capital Market Development Authority, so that it becomes an effective regulatory body that meets international best-practice standards	270,000
Nepal	Capital Market Development Plan	Assisting the Securities Board in formulating a capital market development master plan which will include annual time-bound implementation plans	147,500
Nepal	Crisis Preparedness	Assisting Nepal Rastra Bank and the government in dealing effectively with the current market situation, by providing a crisis management and bank resolution expert to guide them through the various bank stabilization and resolution policies and tools so that Nepal Rastra Bank can deal with failed banks effectively	124,778
Pakistan	Microinsurance Regulation and Supervision	Assisting the Securities and Exchange Commission in developing a comprehensive legal and regulatory framework to create an enabling environment for micro-insurance	234,000
Sri Lanka	Amendment to the SEC Act	Enhancing the efficiency and attractiveness of the capital market and broadening the product range in the capital market by drafting legal provisions for the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987	242,400
<b>Total for region</b>			<b>1,410,678</b>
<b>EAST ASIA AND PACIFIC</b>			
Cambodia	Improving Accounting and Audit Practice	Assisting the National Bank of Cambodia in assessing the impact of IFRS compliance in terms of the readiness of financial institutions; assessing how compliance with IFRS will change the prudential reporting requirements and capacity needs of the bank; and assisting in developing a road map for the approach to IFRS compliance	235,730

Country	Project title	Activity description	Amount (US\$)
Cambodia	Crisis Preparedness	Assisting the National Bank of Cambodia, the Ministry of Economy and Finance, and other financial sector supervisory agencies in enhancing their capacity to prepare for and efficiently respond to bank failures, manage emergency liquidity needs, and deal with systemic crisis and to ensure an effective, cooperative, intra- and inter-agency response	349,604
Philippines	Crisis Preparedness	Establishing a formal banking sector crisis preparedness framework by increasing the capacity of the central bank to prepare for and deal with a potential future financial crisis in a timely, effective, and collaborative manner, to ensure that markets operate as a going concern, and to protect the embedded interests of the public	325,000
Philippines	Enhancement of Insurance Reserves Targeting Framework and Amendment to PDIC Charter	Reviewing for validation and enhancing the Philippine Deposit Insurance Corporation's insurance reserve targeting framework, taking into account international best practices and acceptance by major stakeholders; assessing what measures may be put in place to sustain the adequacy of insurance reserves relative to the Corporation's Charter	213,900
<b>Total for region</b>			<b>1,124,234</b>
<b>LATIN AMERICA AND CARIBBEAN</b>			
Belize	Payment Systems	Supporting the Central Bank of Belize in improving the safety and efficiency of the payments, remittances, and securities settlement systems by (i) developing an overall National Payment Systems development strategy and (ii) reforming the legal and regulatory framework for payment systems	108,415
East Caribbean Regional	Harmonizing Insurance Regulation and Supervision	Assisting six Eastern Caribbean Currency Union member countries in strengthening and harmonizing the regulatory and supervision framework for insurance companies operating in the region	195,300
El Salvador	Financial Crisis Preparedness Program	Providing government agencies with the means to test their tools for efficiently managing financial distress and potential systemic crisis through the conduct of a crisis simulation exercise (that will be used as a diagnostic tool to assess the adequacy of existing bank resolution arrangements)	123,050
El Salvador	Organizational Structure of the Integrated Financial Services Superintendency	Advising on an organizational structure of the integrated Financial Services Superintendency of El Salvador, within the scope permitted by the new law on Supervision and Regulation of the Financial System	68,200
Guatemala	Institutional and Legal Framework for Crisis Management	Strengthening the management of financial sector crises through the design and implementation of an institutional and legal framework that establishes clear lines of responsibility, and a functional and efficient institutional structure for crisis management	144,160
Nicaragua	Consumer Protection	Developing a national program to improve consumer protection for banking, microfinance, and insurance, leading to the establishment of a system that will provide adequate consumer protection for financial services and ultimately greater access to finance	217,370
<b>Total for region</b>			<b>856,495</b>
<b>MIDDLE EAST AND NORTH AFRICA</b>			
Morocco	Strengthening Crisis Preparedness Policies and Processes	Enhancing the authorities' tools and procedures for the effective management of a systemic financial crisis	161,250
Morocco	Introduction of Covered Bonds	Promoting the sound development of the financial system by setting up a legal and regulatory framework for the issuance of covered bonds, particularly by creating a legal framework for covered bonds and establishing an efficient regulatory environment	180,870
Morocco	Strengthening Macro-Prudential Analysis and Stress Testing	Assisting the Bank Al' Maghrib in improving macro-prudential analysis and in strengthening stress testing capacity	182,924
Morocco	Supporting the Implementation of the Law on Catastrophe Insurance	Assisting the insurance supervisory agency (Direction des Assurances et de la Protection Sociale) in the implementation and supervision of the new law on catastrophe insurance	249,650
<b>Total for region</b>			<b>774,694</b>
<b>Total project approvals</b>			<b>12,097,863</b>

## Annex III. All FIRST Projects, Fiscal Years 2003-11

Country/region	Project #	Project title	Commitments (US\$)
<b>SUB-SAHARAN AFRICA</b>			
Angola	274	Project Formulation for Nonbank Financial Institutions (NBFi) Sector Technical Assistance (TA)	12,710
Angola	636	Development of NBFi Regulatory and Supervisory Frameworks	108,000
Benin	10093	Crisis Resolution and Vulnerability Assessment	184,427
Botswana	249	NBFi Supervision and Strategy	148,608
Botswana	614	Updating Accounting and Auditing Legislation	40,468
Botswana	7085	Technical Assistance for Accounting Oversight Board	88,000
Botswana	9055	Enhancing Supervision of Capital Markets	191,533
Botswana	10043	Financial Sector Development Strategy	389,200
Burkina Faso	8072	Advice on the Financial Sector Strategy	390,000
Burundi	577	Central Bank Strengthening	185,140
Burundi	8036	Central Bank Information Management Strengthening	181,094
Burundi	9012	Development of Financial Sector Strategy	252,000
Cameroon	22	Financial Markets Commission Capacity Building	98,264
Cape Verde	10155	Enhancing Bank Supervision and Crisis Resolution	231,650
Comoros	10020	Capacity Building in Banking Supervision & Accounting and Auditing	249,571
Congo	8024	Central Bank Modernization	450,644
Djibouti	464	Action Plan for Strengthening SME Financing Mechanisms	188,000
Djibouti	10132	Banking Supervision	98,310
Gambia	355	Development and Implementation of Central Bank Book Entry System	84,509
Ghana	80	Rural Bank Restructing	71,042
Ghana	401	Payments Systems Project Design for the Millenium Challenge Corporation	44,550
Ghana	9025	Strengthening the Accounting Profession	310,000
Guinea	388	Development of a Microfinance Regulatory and Supervisory Framework	239,933
Guinea	442	Fostering Foreign Exchange Market Development	129,014
Guinea	595	Leasing Law	114,940
Kenya	169	Strategy for Development Finance and Increasing Access to Financial Services	244,872
Kenya	222	Reform of the Legal and Institutional Framework for Asset Financing	302,905
Kenya	241	Development of Audit Quality Review Program	76,646
Kenya	250	Strengthening Central Bank Business Processes	466,008
Kenya	351	Development of Mortality and Morbidity Tables	151,960
Kenya	8054	Shelter Afrique Capacity Building for Housing Finance	223,003
Kenya	10160	Strengthening Accounting and Audit Legal Framework	106,250
Lesotho	6	Insurance Sector Strengthening	171,249
Lesotho	410	Authomated Clearing House Systems Project Design for Millenium Challenge Corporation	42,189
Lesotho	8006	Developing NBFi Regulation and Supervision	376,000
Lesotho	10030	Strengthening Pension Supervision	98,500
Lesotho	10099	Strengthening Insurance Supervision	163,963

Country/region	Project #	Project title	Commitments (US\$)
Liberia	8049	Revitalizing Financial Services	71,958
Liberia	8061	Banking Supervision Reform	245,660
Liberia	10055	NBFI Regulatory and Supervision Framework	300,400
Liberia	10056	Capital Markets Strategy & Legal and Regulatory Framework	229,100
Madagascar	280	Developing a Microfinance Credit Information Bureau	96,912
Madagascar	346	Project Design for Assistance on Modernization and Reform of the Private Sector Pension Fund	5,197
Madagascar	626	Modernization and Reform of the Private Sector Pension Fund	341,437
Madagascar	7019	Financial Sector Strategy and Development Plan	244,574
Malawi	132	Evaluation of Central Bank Book Entry System	13,934
Malawi	284	Strengthening NBFI Framework and Advice on Pension Reform	112,008
Malawi	416	Strengthening NBFI Framework and Advice on Pension Reform	254,710
Malawi	465	Enhancement of Central Bank Book Entry System	86,160
Malawi	7068	Developing Country Action Plan for ROSC Accounting and Auditing	72,658
Malawi	8026	Financial Sector Development Strategy	245,000
Malawi	9038	Strengthening Contingency Planning	130,800
Mali	371	Strategy for Introducing Worker's Hazard, Health Insurance, and Funded Pillar for Public Pensions	282,058
Mauritania	193	Strengthening Microfinance Supervision	21,972
Mauritania	10028	Financial Sector Development Strategy	306,250
Mauritius	21	Preparation of a Code of Corporate Governance	117,000
Mauritius	65	Implementation of Effective AML/CFT Measures	127,168
Mauritius	90	Strengthening Securities and Listing Regulations	179,789
Mauritius	239	Establishing Second-Tier Securities Market and Restructuring Over-the-Counter Market	158,502
Mauritius	251	Establishing a Financial Reporting Council	167,536
Mauritius	300	Assistance with Drafting Securities Legislation	48,128
Mauritius	367	Development of Selected Nonbank Financial Regulations	377,712
Mauritius	598	Establishment of the Mauritius Institute of Directors	33,800
Mauritius	7074	Central Bank Supervision Strengthening	270,296
Mauritius	10022	Financial Stability Framework	237,300
Mozambique	8145	Contingency Planning for Mozambique	129,228
Mozambique	10170	Financial Sector Development Strategy	227,550
Mozambique	10175	Stress Testing & Payment System Oversight	219,344
Namibia	141	NAMFISA: Development of Capacity-Building Strategy	113,128
Namibia	9059	Creating a Legal and Regulatory Framework for Deposit-Taking Microfinance Institutions	211,305
Namibia	10047	Financial Crisis Simulation Exercise	248,000
Namibia	10100	Strengthening Nonbank Financial Institutions Supervision	164,415
Namibia	247	Assessing Viability of Second-Tier Banking	55,977
Niger	10091	Financial Sector Development Strategy	245,121
Nigeria	658	Financial Systems Strategy (FSS) 2020	194,744
Nigeria	7063	Financial Sector Strategy 2020 - Phase II	632,455
Nigeria	9066	Bank Resolution	186,450
Nigeria	10073	Enhancing the Capacity of the Securities Exchange Commission (SEC)	162,000
Rwanda	115	Linking Payment Systems for Banks and Service Providers	329,862
Rwanda	117	Developing a Microfinance Credit Information Bureau	221,061
Rwanda	447	Advice on Financial Sector Development Plan	657,138
Rwanda	450	Strengthening Supervisory Capacity of the Insurance Commission	204,530

Country/region	Project #	Project title	Commitments (US\$)
Rwanda	7064	Financial Sector Development Program II	407,856
Rwanda	10018	Regional Crisis Preparedness Workshop	81,231
Rwanda	10071	Implementing Risk-Based On-site Inspection for the Insurance Sector	181,425
Rwanda	10118	Bank Supervision Capacity-Building Assistance to the National Bank of Rwanda	98,310
Seychelles	9023	Review of Publicly Owned Financial Institutions	149,348
Seychelles	10040	Strengthening the Insurance regulatory Framework	249,559
Sierra Leone	15	Long-Term Capital Market Development	32,358
Sierra Leone	101	Implementation of Central Bank Book Entry System	89,763
Sierra Leone	189	Supervision of NBFIs: Assessment and Capacity Building	147,990
Sierra Leone	328	Implementation of Capital Market Development Plan	360,595
Sierra Leone	8019	Post-FSAP Strategic Road Map	45,742
Sierra Leone	8045	Financial Sector Development Plan	168,843
Sierra Leone	10067	Strengthening Internal Audit at the Bank of Sierra Leone	115,700
South Africa	76	Accounting and Auditing Legislation	114,391
South Africa	246	Integration of Financial Regulations	18,425
South Africa	9006	Finalizing Micro-Insurance Regulatory Framework	93,200
South Africa	10053	Developing and Strengthening Contingency Planning	179,300
Sudan	389	Banking Sector Regulation and Supervision	260,296
Sudan	583	Access to Finance for Farmers in the Gezira Region	97,866
Swaziland	66	Assessment and Strategy Development for NBF Supervision	124,255
Swaziland	161	Improving Access to the Financial Sector	126,103
Swaziland	215	Implementation of Central Bank Book Entry System	63,101
Swaziland	311	Review of Draft Bill for the Establishment of the Financial Services Regulatory Authority	6,000
Tanzania	364	Development of FSAP Follow-up Strategy Plan	27,099
Tanzania	458	Capital Markets and Securities Authority: Development of Operational Strategy and Implementation Plan	137,266
Tanzania	459	Action Plan for Developing Mortgage Finance Markets	197,555
Tanzania	572	Updating Accounting and Auditing Legislation and Enforcement Capacity	412,883
Tanzania	10065	Development of Supervisory Framework for Finance Leasing Operations	241,400
Tanzania	10066	Development of Regulatory and Supervisory Framework	155,200
The Gambia	10011	Strengthening the Regulatory Framework of Accounting and Auditing	62,050
Uganda	67	Support for the Implementation of Collective Investment Schemes Legislation	72,550
Uganda	344	Advise on Establishing a Consolidated Supervisor for NBFIs	80,563
Uganda	409	Strategic Options for Postbank	115,960
Uganda	669	Non-Life Insurance Technical Reserving Pilot	124,814
Uganda	7010	Expanding Access to Housing Finance	246,257
Uganda	10086	Crisis Preparedness	310,500
Zambia	120	Financial Sector Development Plan	34,150
Zambia	319	Pensions and Insurance Supervisory Strengthening	87,607
Zambia	345	Regulatory Implications of Establishing a Credit Reference Bureau	92,117
Zambia	358	Institute of Bankers Training Strategy	48,697
Zambia	378	Development of Securities Exchange Commission Capacity-Building Action Plan	185,370
Zambia	9004	Strengthening Contingency Planning	161,485
Zambia	9032	Strengthening Contingency Planning	45,000
Zambia	10084	Risk-Based Supervision	376,300
Zimbabwe	10041	Stress Testing	153,680

Country/region	Project #	Project title	Commitments (US\$)
Zimbabwe	10077	Development of a Securities Regulatory Framework	189,700
REGIONAL PROJECTS	16	West African Monetary Institute (WAMI): Banking Supervision Study	123,632
	25	Eastern and Southern Africa: Regional Bank Supervisors Leadership Training	108,362
	29	CEMAC Region: Development of Long-Term Finance for Debt Markets	222,800
	60	SADC Development Finance Resource Centre: Needs Analysis and Skills Audit for Development Finance Institutions	77,500
	84	ESAAMLG: Training Evaluators in AML/CFT Assessment	61,183
	148	Strengthening Payment Systems in Botswana, Sierra Leone, Swaziland	183,520
	200	ESAAMLG: AML/CFT Strategy Development for Member Countries	122,365
	210	WAMI: Externally Assisted Self-Assessment of Basel Core Principles	107,777
	228	Preparation of Standards and Guidelines for Development Finance Institutions in Africa	174,346
	254	Capacity Building for East African Collective Investment Schemes Regulators	5,619
	273	Botswana, Swaziland: Scoping Mission for NBFIs	18,474
	291	Regional Training Seminar for Insurance Supervision	36,296
	315	Southern African Customs Union (SACU): Regional Workshop on Tiered Banking Regulations	11,129
	341	Strengthening AML/CFT in Portuguese-Speaking Countries	31,034
	363	West Africa: Capacity Building in Banking Supervision	61,675
	377	Africa Trade Insurance Agency: Development of Credit Risk Insurance Services	70,400
	386	Committee of Insurance, Securities, and Non-Banking Financial Authorities (CISNA): Regional Risk-Based Supervision Seminar	29,542
	406	Finscope Africa: Technical Assistance for Strategy Development	74,994
	414	MEFMI Workshop on Consolidated Supervision	38,105
	415	SADC and East Africa: Training Program for NBFIs Regulators	198,331
	421	EASRA: Advice on Achieving IOSCO Multilateral Memorandum of Understanding	118,936
	433	CEMAC: Pre-FSAP Microfinance Sector Assessment	62,885
	436	CEMAC: Housing Finance Assessment	65,245
	437	SADC and East Africa: Training Program for NBFIs Regulators	19,325
	469	SADC: NBFIs Regulators' Capacity Building Program	1,756,363
	569	Credit Reporting and Financial Information Infrastructure Program	253,087
	7005	Pilot Implementation of Association of African Development Finance Institutions (AADFI) Prudential Standards and Guidelines	158,436
	7043	East Africa: Regional IOSCO Principles Assessment	104,419
	7090	Development and Implementation of Risk-Management Framework	190,650
	7093	Financial Sector Strengthening Through Monetary and Foreign Exchange Policy Training	124,300
	8007	Strengthening Payment Systems	328,152
	8023	Advice on Macroeconomic Management and Financial Sector Issues	79,100
	8031	CEMAC Conference 2008	36,160
	8103	Financial Stability Assessment in Tanzania and Uganda	538,558
	8127	SADC Region Crisis Preparedness Workshop	53,602
	8142	Strengthening Payment Systems Phase II	373,808
<b>Total for region</b>			<b>28,675,452</b>

Country/region	Project #	Project title	Commitments (US\$)
<b>EAST ASIA AND PACIFIC</b>			
Cambodia	10113	Crisis Preparedness	349,604
Cambodia	10114	Improving Accounting and Audit Practice	235,730
China	162	Regulation and Supervision of Corporate Pensions	600,245
China	178	Strengthening Regulation and Supervision of Securities Firms	308,653
China	191	Amendments to Securities Law	335,874
China	216	Regulation of the Distribution of Securities Investment Funds	256,216
Indonesia	78	Capital Market Supervisory Agency Capacity Building	121,871
Indonesia	224	Strategic Advice on Pension Reform	124,941
Indonesia	461	Strategic Option for Reforming Civil Service Pension and Savings Scheme (TASPEN)	411,184
Indonesia	7012	Life Insurance Sector Reform	349,104
Indonesia	8038	Expanding Access to Islamic Finance for SMEs	285,000
Lao	42	Development of Rural and Microfinance Strategy and Legal Regulatory Framework	149,258
Lao	124	Rural Microfinance Survey	152,321
Lao	213	MFI Supervision Capacity Building	219,810
Mongolia	56	Development of Insurance Supervisory Framework for Livestock Insurance	320,416
Mongolia	342	Development of Index-Based Livestock Insurance Phase II	152,228
Papua New Guinea	584	Development of Risk-Based Capital and Assessment System for Non-Life Insurers	248,566
Papua New Guinea	8016	Enhancing Statistical Analysis and Public Reporting in the Insurance Sector	86,444
Philippines	20	Development and Implementation of Non-life Insurance Information System	145,001
Philippines	158	Banking Supervision Capacity Building	440,127
Philippines	7009	Creation of an Accounting Oversight Board	119,828
Philippines	9028	Improving Problem Bank Resolution	33,900
Philippines	10094	Crisis Preparedness	325,000
Philippines	10144	Enhancement of Insurance Reserves Targeting Framework and Amendment to PDIC Charter	213,900
Thailand	209	Assisting Self-Assessment of Selected Financial Sector Core Principles	132,985
Thailand	7058	Enhancing Insurance Regulation and Supervision	315,000
Thailand	8119	Enhancing Securities Exchange Commission Audit Capacity	275,000
Timor Leste	397	Strategy of Establishing a Credit Registry	115,806
Tonga	8104	Improving Central Bank's Supervision Capacity	202,722
Vanuatu	467	Strengthening Regulation and Supervision of Company and Trust Service Providers	74,623
Vietnam	310	Establishing a National Association for People's Credit Funds	344,786
Vietnam	332	Regulation and Guidance for Management of Investment Funds	526,306
Vietnam	603	Feasibility Study for the Establishment of a Central Securities Depository	200,000
Vietnam	627	Assistance with International Standards for Supervising the Insurance Sector	248,917
Vietnam	7040	Enhancing Deposit Insurance	43,578
Vietnam	8033	Strengthening Central Bank Credit Information Centre	247,000
REGIONAL PROJECTS	85	Training Evaluators in AML/CFT Assessment	86,382
	339	Workshop on Self-Assessment of Selected IAIS Core Principles	73,745
	8105	Strengthening Liquidity Management Systems in Papua New Guinea and Solomon Islands	202,722
<b>Total for region</b>			<b>9,074,793</b>

Country/region	Project #	Project title	Commitments (US\$)
<b>EUROPE AND CENTRAL ASIA</b>			
Albania	647	Accounting and Audit Country Plan	106,887
Albania	7070	Development of Effective Insurance Supervision	295,361
Albania	8090	Simulation Exercise	231,741
Albania	10051	Liberalizing MTPL Insurance Market	327,700
Armenia	40	Insurance Supervisory Restructuring and Strengthening	74,480
Armenia	226	Assistance with Insurance Regulation Drafting and Capacity Building	212,202
Armenia	426	Preliminary Advice on Establishment of Unified Regulator	24,663
Armenia	432	Establishment of Unified Regulator	34,544
Armenia	611	Development of Insurance Sector	65,149
Armenia	9054	Regional Crisis Preparedness Workshop	53,681
Azerbaijan	337	Establishing Nonbank Corporate Bonds Market	588,173
Azerbaijan	387	Advice on Insurance Law and regulations	228,071
Azerbaijan	9058	Capital Market Development Plan	118,743
Azerbaijan	9061	Systemic Risk Response Framework	201,243
Belarus	9027	Post-FSAP Support for Securities Market Development	244,900
Bosnia & Herzegovina	7061	Advisory Services to Stock Exchange	238,187
Bosnia & Herzegovina	10121	Strengthening Consumer Protection in Banking and Microfinance Sectors	239,950
Bulgaria	208	Strengthening of Supervisory Capacity of the Financial Services Commission	337,807
Bulgaria	223	Feasibility Study for Financial Derivatives Market	35,198
FYROM	96	Reform of Compulsory Motor Vehicle Insurance System	294,176
Georgia	31	Debt Securities Market Development	52,127
Georgia	41	Insurance Supervisory Strengthening	193,336
Georgia	390	T-Bills Process and Municipal Bond Issuance	282,284
Georgia	631	Development of Country Strategy for ROSC	46,347
Georgia	8084	Strengthening Financial Sector Supervision	70,037
Kazakhstan	183	Insurance Sector Strategic Advice and Regulatory Assistance	161,803
Kazakhstan	324	Technical Assistance for Public Sector Accounting Standards	72,712
Kazakhstan	8063	Improving Banking Supervision (Stress Testing)	192,422
Kazakhstan	8135	Strengthening Catastrophe Risk Transfer Supervision	246,600
Kosovo	187	Strengthening Insurance Supervision	121,499
Kosovo	264	Strengthening Third-Party Liability Motor Insurance	38,084
Kosovo	441	Strengthening Banking Supervision	285,560
Kosovo	8077	Technical Advisory Service to CBK	498,300
Kosovo	9003	Technical Assistance Service to Strengthen Insurance Regulation and Supervision	238,200
Kosovo	10070	Financial Stability and Supervision - Central Bank of Kosovo	320,165
Kyrgyz Republic	54	Advice on the Privatization of Kairat Bank	262,578
Kyrgyz Republic	186	Assistance for Drafting Deposit Insurance Legislation	22,232
Kyrgyz Republic	334	Assistance on the Privatization of Kyrgyz Agricultural Finance Corporation	264,556
Kyrgyz Republic	383	Medium-Term Strategy for Microfinance Development	136,714
Kyrgyz Republic	642	Modernization of the Postal System	170,000
Kyrgyz Republic	7062	Strengthening Legal, Regulatory, Supervisory, and Markets Infrastructure	450,100
Kyrgyz Republic	8106	Pre-Privatization Advice for Ayl Bank	63,395
Kyrgyz Republic	8108	Retail Payments Systems	135,148
Kyrgyz Republic	9002	Deposit Protection Agency Capacity Building	252,000
Kyrgyz Republic	9026	Corporate Financial Reporting	209,600
Kyrgyz Republic	10059	Strengthening Bank Supervision and Resolution	124,755



Country/region	Project #	Project title	Commitments (US\$)
Lithuania	10	Insurance Supervision Strengthening	177,275
Lithuania	24	Accounting and Auditing Reform	126,008
Lithuania	262	Effective Application of Audit Standards	74,099
Moldova	43	Development of Money Market Instruments	73,184
Moldova	252	Strengthening Insurance Supervision	180,952
Moldova	309	Strengthening the Accounting Auditing and Financial Reporting Framework	256,406
Moldova	312	Corporate Governance Reform	270,148
Moldova	318	Development of Money Market Instruments Phase II	243,058
Moldova	8009	Capacity Building in Monetary and Policy Analysis	294,252
Moldova	10096	Forecasting and Policy Analysis - Central Bank of Moldova	229,390
Montenegro	7096	Country Action Plan for Accounting and Auditing	146,461
Montenegro	8020	Regulatory and Analytical Tools for Assessment of Banks' Risk Profiles	228,000
Poland	185	Access to Long-Term Finance for Rural Communes	275,367
Romania	123	Strengthening AML Regulations in the Securities Market	51,504
Russia	205	Capacity Building to Support the Federal Regulator of Pension Funds	381,343
Slovak Republic	128	Strengthening Corporate Governance of Listed Companies	91,963
Slovak Republic	142	Technical Assistance to the Financial Markets Authority	93,106
Slovak Republic	150	Strengthening Bank Corporate Governance	65,450
Tajikistan	7080	Post-FSAP Legal and Regulatory Reform and Strategy Development	576,486
Tajikistan	10074	Payment Systems Modernization	249,095
Turkey	237	Secondary Mortgage Market Development	382,492
Ukraine	5	Assistance to the Nonbank Financial Institution Regulator	133,193
Uzbekistan	8136	Strengthening Insurance Supervision	186,800
REGIONAL PROJECTS	7	AML/CFT Workshop	100,067
	34	CIS-7: Financial Sector Workshop	22,674
<b>Total for region</b>			<b>13,772,183</b>
<b>LATIN AMERICA AND CARIBBEAN</b>			
Belize	333	Central Bank of Belize Organizational Review	175,539
Belize	10152	Payment Systems	108,415
Brazil	7017	Introduction of Risk-Based Supervision of Closed Pension	360,000
Chile	256	Road Map for Strengthening Solvency Control in the Insurance Industry	138,195
Chile	257	Strengthening Regulation of Pension Funds	180,292
Chile	276	Implementing Risk-Based Supervision in the Securities Industry	466,519
Chile	329	Adopting International Financial Reporting Standards for Listed Companies	195,973
Chile	7016	Implementation of Risk-Based Supervision Model for Insurance Industry	228,082
Chile	7025	Risk-Based Regulation of Pension Funds	211,762
Colombia	52	Developing the Supervisory and Regulatory Framework for Collective Investment Schemes	216,620
Colombia	74	Mortgage Finance Capacity Building	115,835
Colombia	109	Terrorism Loss Insurance Finance	195,501
Colombia	182	Money Market Development	268,794
Colombia	233	Development of Housing Microfinance	394,587
Colombia	349	Enhancement of the Capital Market Self-Regulatory System	136,248
Colombia	7008	Supervision of Financial Conglomerates	208,273
Colombia	8088	Strengthening Financial Sector Legal and Regulatory Framework	190,485
Costa Rica	248	Advice on Achieving Compliance with IOSCO MMoU	72,466
Costa Rica	340	Strengthening Public Debt Management and Developing Domestic Debt Market	215,383

Country/region	Project #	Project title	Commitments (US\$)
Costa Rica	9048	Financial Crisis Simulation Program	169,900
Dominican Republic	360	Feasibility Study for Capital Market Broadening	18,845
El Salvador	335	Strengthening Public Financial Institutions	136,124
El Salvador	336	Strengthening Framework for Consolidated Supervision of Financial Conglomerates	182,918
El Salvador	384	Implementation of IOSCO Self-Assessment	46,485
El Salvador	7099	Improving Corporate Financial Reporting through Implementation of International Financial Reporting Standards	246,310
El Salvador	10078	Financial Crisis Preparedness Program	123,050
El Salvador	10172	Organizational Structure of the Integrated Financial Services Superintendency	68,200
Guatemala	8109	Financial Crisis Preparedness and Financial Projection	62,852
Guatemala	10150	Institutional and Legal Framework for Crisis Management	144,160
Haiti	8050	Strengthening Accounting and Auditing Practices	275,000
Honduras	7100	A Road Map for Strengthening Accounting and Auditing	478,200
Mexico	338	Developing Framework for the Issuance of Catastrophe Bonds	186,901
Mexico	9051	Financial Crisis Preparedness Program	122,000
Nicaragua	435	Design of Management Information Systems for Deposit Insurance Agency	25,750
Nicaragua	10136	Consumer Protection	217,370
Peru	92	Improving Risk-Based Management in Collective Investment Schemes	171,783
Peru	289	Improving SME Access to Capital Markets	567,569
Peru	313	Housing Finance Development	487,103
Peru	7088	Strengthening Private Sector Accounting and Auditing	199,463
Peru	8086	Financial Crisis Simulation Program	200,280
Uruguay	7023	Housing Finance Policy Reform	246,033
Uruguay	9030	Regional Crisis Preparedness Workshop	67,467
REGIONAL PROJECTS	1	GAFISUD: AML/CFT Workshop	34,266
	18	East Caribbean Securities Exchange: Custodian Recruitment to Support Cross-Listings	79,011
	39	East Caribbean Central Bank: Improving Payment Systems	172,773
	87	Strengthening Financial Sector Integrity in Central America	46,213
	88	East Caribbean: Strengthening Credit Union Regulation and Supervision	68,551
	194	AML/CFT Evaluator Training for Spanish-Speaking Countries	44,899
	197	Regional Insurance Supervisors Leadership Training Program	79,360
	198	Strengthening Credit Reporting Systems	499,151
	259	AML/CFT Workshop for Caribbean Regulators of Company and Trust Service Providers	57,284
	260	AML/CFT Workshop for Caribbean Insurance Regulators/Supervisors	54,230
	261	AML/CFT Workshop for Regulators of Casinos and Internet Gaming Entities	54,405
	269	GAFISUD AML/CFT Evaluator Training	55,389
	288	East Caribbean Securities Exchange: Development of Unified Rule Book	61,512
	466	Securities Supervisors Leadership Training	50,135
	7037	CEMLA: Strengthening Credit Reporting Systems	270,073
	9052	Financial Crisis Simulation Program	104,012
	9062	Harmonizing Insurance Regulation and Supervision	195,300
<b>Total for region</b>			<b>10,449,299</b>

Country/region	Project #	Project title	Commitments (US\$)
<b>MIDDLE EAST AND NORTH AFRICA</b>			
Algeria	9005	Financial Crisis Simulation Program	143,706
Egypt	91	Strengthening Credit Reporting System	166,118
Egypt	125	Project Scoping Banking Sector	20,085
Egypt	125-2	Strengthening Banking Supervision	98,375
Egypt	217	Strengthening Payments Systems	246,653
Egypt	343	Credit Reporting System Strengthening	146,259
Egypt	380	Upgrading Motor Third-Party Liability Insurance Capacity	118,487
Jordan	11	Actuarial Supervision Capacity Building of the Insurance Commission	199,743
Jordan	297	Development of a Supervisory Ladder and Supervisory Strengthening	120,125
Lebanon	126	Review and Advice on a New Insurance law	91,892
Lebanon	204	Capital Markets Supervisory and Regulatory Authority Strengthening	231,444
Morocco	73	Assistance to Support Pension Reform	152,580
Morocco	8087	Financial Crisis Simulation Program	162,962
Morocco	9016	Strengthening Crisis Preparedness Policies and Processes	161,250
Morocco	10007	Introduction of Covered Bonds	180,870
Morocco	10026	Supporting the Implementation of the Law on Catastrophe Insurance	249,650
Morocco	10116	Strengthening Macro-Prudential Analysis and Stress Testing	182,924
Syria	7052	Development of Damascus Securities Exchange	212,652
Syria	9013	Banking Supervision	107,652
West Bank and Gaza	8065	Private Pension Regulatory Capacity Building	248,000
West Bank and Gaza	8068	Development of Housing Finance	230,000
West Bank and Gaza	8128	Capital Market Development	118,436
West Bank and Gaza	8140	Establishment of a Deposit Insurance Scheme	30,330
REGIONAL PROJECTS	359	Regional Training Seminar for Insurance Supervision	63,072
<b>Total for region</b>			<b>3,683,264</b>
<b>SOUTH ASIA</b>			
Bangladesh	53	Insurance Law Reform	53,035
Bangladesh	111	Reducing Interest Rate Spreads	34,719
Bangladesh	244	Capacity Building for Capital Market Intermediaries	18,317
Bangladesh	8114	Developing Capital Market Development Plan	124,000
Bangladesh	9017	Capacity Building for Bangladesh Bank	305,100
Bangladesh	10060	Contingency Planning	145,000
Bhutan	10075	Developing & Strengthening the Regulatory Framework of Pension, Provident Fund, and Other Such Schemes	123,000
India	33	Insurance Tariff Advisory Committee: Capacity Building for Transition from Uniform Tariff System to Risk-Based Approach	243,978
India	424	Expanding Housing Finance Market	598,031
India	579	Development of Crop Insurance	531,953
India	7038	Expanding Low-Income Housing Finance	483,000
Maldives	8004	Insurance Regulation and Supervisory Advancement	230,000
Maldives	8116	Financial Sector Review	260,000
Maldives	9033	Strengthening Supervision of Pensions	270,000
Nepal	9020	Capital Market Development Plan	147,500
Nepal	10016	Contingency Planning	92,553
Nepal	10199	Crisis Preparedness	124,778
Pakistan	98	Bank Supervision Risk Assessment Model	224,973
Pakistan	98A	Project Design for Assistance to the State Bank of Pakistan	9,200

Country/region	Project #	Project title	Commitments (US\$)
Pakistan	100	Development of Banking Sector Uniform Chart of Accounts	234,619
Pakistan	10025	Micro-Insurance Regulation and Supervision	234,000
Sri Lanka	69	Training for the Foreign Exchange Industry	29,898
Sri Lanka	81	Regulating Securities Markets Intermediaries	77,503
Sri Lanka	110	Strengthening Actuarial Supervision Capacity	36,152
Sri Lanka	166	Securities Exchange Commission: Supervision Capacity Strengthening	226,337
Sri Lanka	220	Assistance in Drafting the Securitization Act	195,388
Sri Lanka	229	Regulation of Private Pension Funds	112,623
Sri Lanka	8012	Strengthening Accounting and Payment Systems	170,929
Sri Lanka	8082	Risk-Sensitive Capital Rule for Insurance Supervision	245,700
Sri Lanka	10158	Amendment to the SEC Act	242,400
REGIONAL PROJECTS	49	South Asia Federation of Exchanges (SAFE): Strengthening Stock Exchange Listing Regulations in Member Countries	143,348
	303	SAFE: Developing Model Listing Regulations	68,355
	320	Professional Risk Managers' International Association: Development of Academies in India and Indonesia	102,824
	413	South and East Asia: Workshop for Emerging Financial Intelligence Units	57,746
	610	AITRI Workshop on IAIS Insurance Core Principles	134,673
	7082	Strengthening Payment, Remittances, and Securities Settlement Systems	404,471
<b>Total for region</b>			<b>6,736,103</b>
<b>GLOBAL PROJECTS</b>			
	211	Islamic Financial Services Board (IFSB): Strengthening Corporate Governance Standards in Islamic Financial Services Institutions	128,775
	286	Developing Guidelines for the Implementation of FATF Recommendations	655,374
	321	Developmental Implications of International Taxation and AML/CFT Initiatives	231,850
	347	Workshop for International and Offshore Financial Centers' Supervisors	38,546
	563	Technical Reserving for Non-Life Insurers	27,950
<b>Total for region</b>			<b>1,082,495</b>
<b>Total</b>			<b>73,473,589</b>

# Annex IV.

## Applying for FIRST Funding

### SECTORS AND THEMATIC AREAS ELIGIBLE FOR FIRST ASSISTANCE

#### Sectors

##### Banking

Banks  
Deposit protection  
Payment system  
Islamic banking

##### Insurance

Insurance  
Reinsurance and risk pools  
Islamic Insurance  
Micro-Insurance (see Access to Finance)

##### Capital Markets

Capital markets  
Debt securities  
Commodities  
Islamic capital markets

##### Other NBFIs

Housing finance  
Cooperatives  
Forex bureaus  
Other nonbanks

##### Pensions

Pensions  
Collective investment schemes

##### Financial Architecture

Supervisory structure  
Accounting and auditing  
Credit information bureaus  
Collateral registries

##### Crisis Preparedness

Crisis simulation (country)  
Contingency planning  
Strengthening crisis preparedness arrangements  
Regional crisis preparedness

##### Access To Finance

Microfinance  
Microinsurance  
Leasing  
SME finance  
Consumer protection and financial literacy

##### Multisector/Others

FSDS  
AML/CFT  
Corporate governance  
Insolvency regime  
Financial system reform and policy

#### Thematic areas

- Legal/regulatory advice
- Supervision capacity
- Product development
- Strategic advice (in particular, financial sector development plans to follow up on FSAP findings)
- Others (including workshops, trainings, study tours, and technical assistance design)

To learn more and apply, please visit [firstinitiative.org](http://firstinitiative.org).

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