# Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFR</td>
<td>African region</td>
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<tr>
<td>ASA</td>
<td>Advisory Services and Analytics</td>
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<tr>
<td>BMZ</td>
<td>Federal Ministry for Economic Cooperation and Development (Germany)</td>
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<tr>
<td>CG</td>
<td>Consultative Group</td>
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<tr>
<td>DFID</td>
<td>Department for International Development (UK)</td>
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<tr>
<td>EAP</td>
<td>East Asia and the Pacific region</td>
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<tr>
<td>F&amp;M</td>
<td>Finance and Markets</td>
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<tr>
<td>FIRST</td>
<td>Financial Sector Reform and Strengthening Initiative</td>
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<tr>
<td>FISF</td>
<td>Financial Inclusion Support Framework</td>
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<tr>
<td>FSAP</td>
<td>Financial Sector Assessment Program</td>
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<td>FSD</td>
<td>Financial Sector Deepening Programme</td>
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<td>FSDIP</td>
<td>Financial Sector Development Implementation Plan</td>
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<td>FSDS</td>
<td>Financial Sector Development Strategy</td>
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<td>FSSF</td>
<td>Financial Sector Stability Fund</td>
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<td>FSSR</td>
<td>Financial Sector Stability Review</td>
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<td>GC</td>
<td>Governing Council</td>
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<td>GP</td>
<td>Global Practice</td>
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<tr>
<td>GiZ</td>
<td>Gesellschaft für Internationale Zusammenarbeit (German development agency)</td>
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<td>GRM</td>
<td>Grant Reporting and Monitoring</td>
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<td>HiFi</td>
<td>Harnessing Innovation for Financial Inclusion</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>KM</td>
<td>Knowledge Management</td>
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<tr>
<td>LAC</td>
<td>Latin America and the Caribbean region</td>
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<td>LIC</td>
<td>Low income country</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<td>MFA</td>
<td>Ministry of Foreign Affairs (Netherlands)</td>
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<td>MIC</td>
<td>Middle income country</td>
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<tr>
<td>MENA</td>
<td>Middle East and Northern Africa region</td>
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<tr>
<td>OECD DAC</td>
<td>Organization for Economic Co-operation and Development-Development Assistance Committee</td>
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<tr>
<td>PA</td>
<td>Programmatic Approach</td>
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<td>PAC</td>
<td>Project Advisory Committee</td>
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<td>PMU</td>
<td>Program Management Unit</td>
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<td>PPIAF</td>
<td>Public-Private Infrastructure Advisory Facility</td>
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<td>ROSCs</td>
<td>Reports on Standards and Codes</td>
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<td>RTAC</td>
<td>Regional Technical Assistance Centre</td>
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<td>SAR</td>
<td>South Asia region</td>
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<tr>
<td>SECO</td>
<td>State Secretariat for Economic Affairs (Switzerland)</td>
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<td>TA</td>
<td>Technical assistance</td>
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<td>TL</td>
<td>Technical Lead</td>
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<td>TOR</td>
<td>Terms of Reference</td>
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<tr>
<td>TTL</td>
<td>Task Team Leader</td>
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<tr>
<td>WB</td>
<td>World Bank</td>
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<td>WBG</td>
<td>World Bank Group</td>
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## Glossary of Terms

| Additionality | FIRST seeks to ensure that it funds activities that are complementary to those being funded from other sources and that its funding does not substitute for or displace more suitable or appropriate assistance available from other sources. FIRST seeks to excel in efforts to promote learning and knowledge sharing in the area of financial sector TA. |
| Demand-driven approach | FIRST aims to be demand-driven and open in its approach, as a strong advocate of financial sector development, and seeks to identify effective new ideas and modalities in the delivery of TA. To this end, FIRST accepts TA requests from a wide range of sources for the benefit of client countries. As the designated implementing entities, the Bank and the IMF prepare funding proposals to be considered for FIRST financing. |
| Effectiveness | The extent to which the development intervention’s objectives were achieved, or are expected to be achieved, taking into account their relative importance. (OECD DAC, 2002) |
| Efficiency | A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results. (OECD DAC, 2002) |
| FIRST Business Model | FIRST is jointly executed by the WBG and the IMF. FIRST’s TA is demand driven, characterized by two windows, Catalytic and Programmatic: The Catalytic Window was created to support rapid response projects to fill gaps. Catalytic projects must have a budget of less than USD 500,000 over 6-24 months. The projects are to be approved based on the expected outcomes and catalytic potential. The Programmatic Window was created in 2013 to support programs that provide sectoral support and assistance in comprehensive financial sector country reform. A program is typically between USD 1-2 million over 36 months. Other characteristics of the Business Model are described in Section 2.2.4. |
| FIRST Funding Model | The FIRST Funding Model refers to agreement made between the donors, the WB and the IMF regarding the way funds are received by FIRST, organized within FIRST and can be disbursed. FIRST’s funding is separated in four ‘buckets’, with separate funding agreements, LIC Catalytic, MIC Catalytic, LIC Programmatic, and MIC Programmatic. Other characteristics of the Funding Model are described in Section 2.2.5. |
| FIRST Initiative | The FIRST Initiative refers to the Financial Sector Reform and Strengthening Initiative, a multi-donor grant facility for providing technical assistance to low- and middle-income countries to support growth and poverty reduction by promoting stable, deep and diverse financial sectors. |
| FIRST Program | A set of development interventions in a country, which falls under FIRST’s Programmatic Window, which aims to achieve a specific set of objectives with a financial value between USD 1,000,000 and USD 2,000,000, and a 36-month implementation schedule. |
| FIRST Project | An individual development intervention that falls under FIRST’s Catalytic Window, which aims to achieve specific objectives with a financial value smaller than USD 500,000 and a 6-24 month implementation schedule. |
| Goal | The higher-order objective to which a development intervention is intended to contribute. (OECD DAC, 2002) |
| Harmonization, transparency, and accountability | FIRST promotes a model of partnership in line with the principles of: ownership, alignment, harmonization, managing for results and mutual accountability. For FIRST, this involves introducing clear accountabilities in program management, setting targets, assessing effectiveness, and monitoring results. FIRST’s partnership model also seeks to promote learning and knowledge sharing. |
| Impacts | Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended. (OECD DAC, 2002) |
| Indicator | Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor. (OECD DAC, 2002) |
| Inputs | The financial, human, and material resources used for the development intervention. (OECD DAC, 2002) |
| Outcome | The likely or achieved short-term and medium-term effects of an intervention’s outputs (OECD DAC, 2002) |
| Output | The products, capital goods and services which result from a development intervention; may also include changes resulting from the intervention which are relevant to the achievement of outcomes. (OECD DAC, 2002) |
| Performance | The degree to which a development intervention or a development partner operates according to specific criteria/standards/guidelines or achieves results in accordance with stated goals or plans. (OECD DAC, 2002) |
| Performance indicator | A variable that allows the verification of changes in the development intervention or shows results relative to what was planned. (OECD DAC, 2002) |
| Project or Program Objective | The intended physical, financial, institutional, social, environmental, or other development results to which a project or program is expected to contribute. (OECD DAC, 2002) |
| Purpose | The publicly stated objectives of the development program or project. (OECD DAC, 2002) |
| Relevance | The extent to which the objectives of a development intervention are consistent with beneficiaries’ requirements, country needs, global priorities and partners’ and donors’ policies. (OECD DAC, 2002) |
| Results | The output, outcome or impact (intended or unintended, positive and/or negative) of a development intervention. (OECD DAC, 2002) |
| Results framework | The program logic that explains how the development objective is to be achieved, including causal relationships and underlying assumptions. (OECD DAC, 2002) |
| Sustainability | The continuation of benefits from a development intervention after major development assistance has been completed. (OECD DAC, 2002) |
Beneficiaries of FIRST TA are policy makers, regulatory bodies, government agencies, international financial institutions, and, under limited circumstances, quasi-public institutions (such as self-regulatory organizations and industry associations). Beneficiaries of FIRST assistance must be from either low- or middle-income countries at the time project proposals receive final approval. LICs are those defined by the WB as eligible to receive low or no interest credits or grants from the International Development Association. MICs are those defined by the WB as eligible to receive International Bank for Reconstruction and Development financing.
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1 Introduction

1.1 Background

The Financial Sector Reform and Strengthening Initiative (FIRST) is a multi-donor program aimed at supporting low- and middle-income countries (LICs and MICs) in building stable, more efficient, and inclusive financial systems. FIRST operations began in January 2003 following the East Asian financial crisis; since then it has funded more than 700 projects and programs in over 120 countries, and disbursed over USD 150 million between 2002 and June 2016. In 2007, FIRST was set up as a Bank-executed trust fund (BETF) governed by WB BETF policies with a pass-through to the International Monetary Fund (IMF).

FIRST is currently in its third five-year funding cycle (Phase III, January 2013 – December 2017) with support from five donors: the Department for International Development of the United Kingdom (DFID), the Ministry of Foreign Affairs of the Netherlands (MFA), the State Secretariat for Economic Affairs of Switzerland (SECO), Germany’s Federal Ministry of Economic Cooperation and Development (BMZ) and the Ministry of Finance of Luxembourg. The World Bank (WB) and the IMF are the implementing partners. As of December 2016, FIRST had mobilized USD 98.7 million (including USD 10.5 million rolled over from Phase II) for Phase III operations.

A mid-term evaluation of FIRST was commissioned by the FIRST Governing Council (GC) to assess the implementation of the Phase III strategy and to draw lessons to inform the strategy going forward. It focused the assessment at two levels: (i) FIRST’s Business Model, governance, and management; and (ii) Projects/Programs’ performance. The evaluation was expected to provide a sound basis for assessing the introduction of the Programmatic Window and the corresponding results framework (eligibility criteria). It was also expected to gather and incorporate lessons learned, including feedback from the 2015 Consultative Group (CG) meeting. The mid-term evaluation was pushed back to year 4 of the Phase III cycle in order to capture preliminary outcomes from programs, which have implications for Phase IV design. The evaluation was carried out by Universalia Management Group Ltd between September 2016 and February 2017. The Terms of Reference (TOR) are presented in Appendix I.

This final report reflects feedback from the Program Management Unit (PMU) and stakeholders on a draft report submitted 3 March 2017 and revised reports submitted on 20 March 2017 and 18 April 2017.
1.2 Evaluation Objectives and Methodology

This section describes the evaluation objectives and framework, the basis for assessment, evaluation methods and sources of data. Finally, it describes the evaluation challenges and mitigating strategies.

Evaluation Matrix and Objectives

The evaluation was guided by an evaluation matrix (see Appendix II) that outlined the evaluation foci, key evaluation questions, sub-questions and illustrative indicators. The matrix guided data collection and analysis and the development of standardized interview protocols and a survey instrument.

This Mid-Term Evaluation assessed:

(i) **FIRST project and program performance** was assessed based on the standard evaluation criteria of the Organization for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) – Relevance, Effectiveness, Efficiency, Impact, and Sustainability. The assessment focused on FIRST projects that had been completed as of June 2016, and a sample of active programs with a cut-off date of December 2016.

(ii) **FIRST’s Business Model and management effectiveness** were assessed against the performance targets adopted in the Phase III Strategy, including the extent to which CG recommendations have been implemented.

(iii) **FIRST Initiative performance** was assessed based on OECD evaluation criteria – Relevance, Effectiveness, Efficiency and Sustainability.

(iv) **FIRST gender mainstreaming approach**, adopted in December 2015, was reviewed to assess the appropriateness of its early implementation and provide recommendations for adjustments or improvement.

Sample and Methods

The evaluation sample was 47 catalytic projects that had been completed at June 2016. All projects in the sample were implemented by the World Bank, as no IMF implemented projects had been completed at that time. Ten of the 47 projects were excluded from the review: three because the projects were cancelled; one because there was no team member with the relevant technical expertise to rate the project; one because it was embedded in an ongoing program and five because the deliverables were in languages other than English and French.

The evaluation used a mixed methods approach to strengthen the reliability of data and increase the validity of findings and recommendations. This helped to broaden and deepen understanding of the processes through which results were achieved, and how these were affected by the context within which the program was implemented. The approach also allowed for triangulation of data from a variety of sources. Methods included interviews, country site visits, and document review.

- **Interviews with key FIRST stakeholders**: The evaluation team conducted individual interviews throughout the evaluation with more than 95 individuals representing a cross-section of FIRST
stakeholders, including: FIRST GC members, current FIRST managers and staff, WB staff, representatives of national governments and Central Banks that received FIRST support, and key stakeholders in the financial sector (see Appendix III for a list of stakeholders consulted). Interview guides were drafted, tested and revised for various stakeholder groups, using the evaluation matrix as the guiding framework (see Inception Report, December 2016). The information and opinions collected during the interviews were aggregated and synthesized and informed the findings of the evaluation.

- **Document reviews:** The evaluation team reviewed more than 200 key documents, including strategy documents, reports, governance documents (e.g. meeting minutes), lessons learned pieces and Financial Sector Development Implementation Plan (FSDIP) documents. The evaluation team also reviewed the project approval documents, Client Surveys, GRMs and deliverables for 38 FIRST projects and 5 FIRST programs, including more than 400 additional documents. Information gleaned from these reviews was summarized according to the key questions and sub-questions in the evaluation matrix. A list of documents reviewed is presented in Appendix IV.

- **Country visits:** The evaluation team conducted country visits between November 2016 and January 2017 to Rwanda, Lesotho and Morocco to obtain the perspectives of 46 key stakeholders on activities financed by FIRST in those countries (see Appendix V for list of projects and programs visited).

- **Project and Program reviews:** The evaluation team’s financial sector experts reviewed and rated 37 completed FIRST projects and five FIRST programs (see Appendix V). The reviews were based on documents including proposals, aide memores, Annual Monitoring Reports (for programs), client surveys, Grant Reporting and Monitoring (GRM) reports, and the outputs delivered by WB consultants. The evaluation team rated catalytic projects using a weighted average on the following criteria: relevance (30 percent), effectiveness (30 percent), efficiency (10 percent) and sustainability (30 percent).

- **Survey of FIRST Clients:** The evaluation team conducted a survey of FIRST clients using Fluid Surveys software. The survey was sent to 44 FIRST clients, with a response rate of 43 percent.

- **Validation of preliminary findings and emerging conclusions:** The evaluation team presented and discussed preliminary findings and conclusions with selected members of the FIRST GC and the PMU in February 2017. The information gleaned informed the draft Evaluation Report.

- **Feedback on the draft evaluation report:** The evaluation team presented and discussed findings, conclusions and recommendations with the FIRST GC and the PMU in March 2017. The feedback informed the revised Evaluation Report.

**Limitations**

Limitations to the evaluation are described below.

- **Number of country visits:** Due to budget constraints, in-country data collection was limited to three countries in Africa and the Middle East and North Africa (MENA) region. As a consequence, evaluation findings and conclusions may not do justice to stakeholder views and experiences in other parts of the world, namely Asia, Latin America and Central and Eastern Europe.

- **Catalytic project performance and ratings:** The completeness of the catalytic project reviews was limited by the quality and completeness of information found in project files, particularly the GRM reports; the Bank’s systems, the Portal and the TF system (including GRM) do not require or provide
opportunities to document changes to a project during implementation. The analysis was also limited by the incomplete and modest feedback from many FIRST clients through the client survey (which was disseminated in English only).

- Maturity of Phase III activities: Some Phase III activities were at relatively early stages of development/implementation at the time of the evaluation, which limited the depth and/or scope of review. This included FIRST’s gender mainstreaming approach, as well as the performance of FIRST’s Programmatic Window and the FSDIP initiative.

1.3 Report Overview

Following this introduction, the report is organized as follows:

- Chapter 2 presents a profile of the FIRST Initiative
- Chapter 3 provides a brief analysis of the context within which FIRST operates
- Chapter 4 reviews FIRST project and program performance
- Chapter 5 evaluates the overall performance of the FIRST Initiative
- Chapter 6 presents the conclusions and recommendations of the evaluation.
2 Profile of FIRST

2.1 FIRST Initiative Objectives and Model

2.1.1 FIRST Objective and Principles

FIRST has maintained the same objective since its 2007 Charter.

**FIRST Objective**
To help strengthen financial systems in low- and middle-income countries so that they make a strong and positive contribution to economic growth and help reduce poverty and income inequality

*Source: FIRST 2013 Charter, p.3.*

The guiding document for FIRST’s priorities and structure is the FIRST Charter, most recently updated in July 2013 for Phase III (called the 2013 Charter). The 2013 Charter is complemented by the Phase III Strategy, which describes how FIRST operates and delivers technical assistance (TA), outlines the successes and challenges coming into Phase III and describes the internal activities FIRST engages in, in parallel to delivering TA, such as knowledge management and monitoring and evaluation.

FIRST is guided by the three basic principles shown in the sidebar. These terms are defined in the glossary.

**FIRST Principles**
- A demand-driven approach with open access
- Additionality
- Harmonization, transparency, and accountability
2.1.2 FIRST Sectors and Activities

Since its creation, FIRST has supported financial sector reform by providing financing for TA that is used by clients to obtain the advice they need from consultants or WB/IMF staff. FIRST relies on the Bank and the IMF for all service delivery and monitoring of implementation.

FIRST finances TA for strategy and policy advice, in particular on financial sector development plans following Financial Sector Assessment Programs (FSAPs). FIRST also provides financing for advisory services to strengthen legal, regulatory and supervisory frameworks, on financial sector market and product development, and on institution and capacity building. The sectors for which FIRST offers TA are indicated in the sidebar.

FIRST does not provide funding for the following areas:

- Strengthening single private or public sector entities, with the exception of financial regulators
- "Core funding", sole or primary source of funding of a start-up or an up and running organization
- Stand-alone training that is not part of a wider implementation-related project
- Information technology procurement, software or hardware.

2.1.3 FIRST Business Model

FIRST is demand-driven in that it does not source projects but responds to funding requests, and uses an open, flexible model. The following definition of the Business Model was drafted based on the FIRST Phase III Strategy and consultations with the PMU during the Inception Phase. FIRST’s Business Model is characterized by two windows, the Catalytic Window and the Programmatic Window:

- The Catalytic Window was created to support rapid response projects to fill gaps. Projects respond to targeted requests in follow-up to FSAPs and other needs based on country strategies. They are single projects that focus on a particular topic and follow up, and are approved based on the expected outcomes and catalytic potential.
- The Programmatic Window was created in 2013 to support programs that provide sectoral support and assistance in comprehensive financial sector country reform. The programs respond to

FIRST Sectors

FIRST’s TA covers a wide range of areas in the financial sector, including:

- Access to finance
- Accounting and auditing
- AML/CFT (when part of a financial regulation and supervision project)
- Banking
- Capital markets
- Consumer protection
- Corporate governance for financial institutions and for listing rules
- Crisis preparedness
- Financial sector legal, regulatory and supervisory frameworks
- Financial sector strategy and policy
- Housing finance
- Insolvency regimes
- Insurance
- Microfinance (including microinsurance)
- Other non-bank financial institutions
- Payment, clearing and settlement and credit information systems
- Pension funds and collective investment vehicles
- SME
- Financial Stability
- Public debt management
- Central banks’ organization, accounting and auditing
- Liquidity and reserve management
- Inflation targeting
- Foreign exchange market development (within the context of stability)
programmatic requests for either FSAP follow-up, or for a set of connected, multi-year interventions in the context of country strategies.¹

Exhibit 2.1 FIRST Business Model

Other characteristics of the Business Model:

- FIRST projects and programs can be led by a WB Task Team Leader (TTL) /IMF staff or co-led by a WB TTL and a FIRST PMU Project Officer. Less than 34 percent of the funding on average can be used for WB staff time working on the project. This limit does not apply to IMF staff or PMU staff.

- Up to 30 percent of the funding per project can be dedicated to analytical work; the remaining amount must be dedicated to implementation.

- Project and program eligibility criteria are established by the FIRST GC (as proposed by the Bank and IMF through the PMU); this includes the mandatory programmatic targets for programs to be approved. Operations targets that affect the eligibility of the projects are:
  - Target for country status: LICs (2/3) and MICs (1/3)
  - Target for regional focus: 50 percent of cumulative funds to Africa
  - Links to strategic frameworks: 66 percent of activities link to FSAP and Reports on Standards and Codes (ROSC)
  - 10 percent of budget is for local consultants

- All FIRST projects and programs must go through the approval process as laid out in the Phase III Strategy.

- Projects in MICs require a 15 percent client contribution toward the cost of the delivery.

¹ The Programmatic Window was added to FIRST’s Business Model in 2013 as a new TA approach to respond to requests either as FSAP/FSDIP follow-up or comprehensive sector reforms in the context of a country’s strategy.
2.1.4 FIRST Funding Model

The FIRST Funding Model refers to the way funds are received by FIRST, organized within FIRST and can be disbursed. The following definition of the Funding Model was drafted based on the FIRST Phase III Strategy and consultations with the PMU during the Inception Phase. As indicated in Exhibit 2.1 above, FIRST’s funding is separated in four ‘buckets’: LIC Catalytic, MIC Catalytic, LIC Programmatic, and MIC Programmatic. There are separate funding agreements for each bucket, and funds cannot be moved between buckets. The funding model is governed by Bank-executed trust funds; donors may withdraw from the trust funds at any time and have a proportional share of the remainder returned upon exit. The other key characteristic of the Funding Model is that since inception 85 percent of donor contributions are allocated to the WB, and the remaining 15 percent to the IMF.

2.1.5 FIRST Results Chain

In Phase III, FIRST introduced a new approach to monitoring and evaluation of FIRST interventions. Part of this exercise included the design of a results chain for the FIRST Initiative, as well as monitoring and reporting guidelines for FIRST projects and programs. While the results chain (shown in Exhibit 2.2) identifies outcomes and impacts for the Initiative, FIRST did not have an agreed upon, common, approved results framework for Phase III to use as the basis for the evaluation of the Initiative.²

² Since January 2016, to conform to some World Bank requirements, the FIRST PMU was obliged to create two additional buckets to capture donor contributions made after January 2016 for LIC and MIC Catalytic projects.
³ After joining FIRST in 2013/14, the M&E Officer was tasked with developing an overall results framework for FIRST. The draft framework was based on FIRST’s mission, business model (Windows), and operational targets, but according to interviewed PMU representatives, there was no program level results framework developed at the Phase III Strategy formulation time. During the Inception Phase, the evaluation team was discouraged by the PMU from using the draft results framework as the basis for evaluating the FIRST initiative as it did not contain targets. For those reasons, the evaluation team agreed with the PMU that the framework was not an appropriate basis of analysis for the evaluation.
Exhibit 2.2  FIRST’s Overall Results Chain (from FIRST’s Phase III M&E Framework)

2.2 FIRST Governance and Management

FIRST’s governance structure includes the following three bodies.

The Governing Council (GC)

FIRST is guided by a GC comprising one representative of each of FIRST donors, a representative from the WB, and a representative from the IMF. In addition, the Finance and Markets (F&M) Practice Director, a second IMF representative and the PMU Program Manager participate in GC meetings without voting rights. The GC is chaired by one of the donors on a rotating basis, elected by the GC donor members. As a matter of practice, the GC members also appoint alternates, and the IMF representative serves as Vice-Chair. The GC meets annually and as necessary (in practice, it meets semi-annually) to review and approve the FIRST strategy, priorities and operating procedures, the annual strategic plan and budget, and project/program proposals to be financed. In practice, the GC also plays an operational role in project and program formulation. It reviews the Initiative’s performance on the basis of an annual report and supporting information on the activities financed through FIRST during the previous relevant period.

The Project Advisory Committee (PAC)

The PAC is composed of the F&M Global Practice (GP) Senior Representative, a Senior IMF staff representative, and the Program Manager. The PAC provides information to the GC reflecting recommendations by the Bank and the IMF for their respective proposals and coordinates the respective selection and implementation of Bank and IMF activities. The PAC provides technical inputs...
into project/program design, reviews the appropriateness of activities proposed vis-à-vis the stated development challenge and the budget assigned to the project, and makes recommendations for GC approval.

The Secretariat

The WB administers FIRST’s day-to-day operations through a Secretariat housed in the WB’s headquarters in Washington, DC. The Secretariat operates under applicable WB policies and procedures and is also accountable to the GC to report results of FIRST activities against targets, and abide by the 2013 Charter.

The Secretariat currently comprises 11 professional and administrative staff headed by a Program Manager; it is often referred to as the PMU. The Program Manager reports to the F&M GP as part of the WB hierarchy, and is accountable to the GC for the execution of FIRST’s strategy, work program and budget. PMU staff are WB staff and subject to all WB policies and rules. PMU staff has co-supervisors: FIRST Program Manager as the main supervisor and a Practice Manager as co-supervisor.  

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4 This came into effect in FY16 (i.e., not during the period evaluated).
2.3 FIRST Windows and Portfolio

Of the USD 79 million available for Phase III projects and programs, FIRST has made commitments for USD 59.9 million (76 percent), and intends to disburse the remaining funds by the end of 2017.

FIRST Projects and Programs

According to the Operational Targets Tracker (Appendix VI), as of 31 December 2016, 121 projects and 14 programs had been approved, including 8 FSDIPs and 5 projects with a gender focus; 54 percent of projects/programs link to FSAPs/ROSCs. FIRST had funded 76 activities in LICs and 59 activities in MICs. The percentage of funding allocated to LICs was 62 percent and 38 percent to MICs, and 53 percent of projects and program funds had been committed to countries in the Africa (AFR) region.

This is broken down by Catalytic and Programmatic Window in Exhibit 2.3. At 31 December 2016, 76 percent of FIRST funds were committed to projects or programs. The WB had committed 78 percent of its USD 66 million budget for project/program approvals, while the IMF had committed 66 percent of the USD 13.1 million budget available for project/program approvals.

Exhibit 2.3 FIRST Phase III Status as of 31 December 2016

<table>
<thead>
<tr>
<th>WINDOW</th>
<th>PHASE III # OF ACTIVITIES</th>
<th>PHASE III APPROVALS (USD MILLIONS)</th>
<th>TOTAL PHASE III FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>TOTAL</td>
<td>WB</td>
</tr>
<tr>
<td>LIC Catalytic</td>
<td>66</td>
<td>21.4</td>
<td>18.8</td>
</tr>
<tr>
<td>LIC Programmatic</td>
<td>10</td>
<td>16.3</td>
<td>13.0</td>
</tr>
<tr>
<td>MIC Catalytic</td>
<td>55</td>
<td>15.2</td>
<td>12.5</td>
</tr>
<tr>
<td>MIC Programmatic</td>
<td>4</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Total</td>
<td>135</td>
<td>59.9</td>
<td>51.4</td>
</tr>
</tbody>
</table>

5 FIRST Quarterly Update Q2 2017 and additional information provided by PMU in March 2017
6 This amount includes contributions of USD 25 million transferred to Phase III under the old technical assistance framework (FAA) which was terminated on 30 April 2015.
7 Up to 31 December 2016
8 The LIC programmatic total committed of USD 3.3 million also includes a knowledge product.
2.4 FIRST Expenditures

At 31 December 2016, USD 38.7 million, or approximately 47 percent of total FIRST commitments made to date, had been expended by the WB (see Exhibit 2.4).

Exhibit 2.4  FIRST Commitments and Actual Expenditures (December 2016)

<table>
<thead>
<tr>
<th>COST CATEGORY</th>
<th>COMMITMENTS (USD MILLIONS)</th>
<th>ACTUAL EXPENDITURES AT 31 DECEMBER 2016 (USD MILLIONS)</th>
<th>ACTUAL EXPENDITURES/COMMITMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>WB Project and Program Approvals</td>
<td>51.4</td>
<td>24.9</td>
<td>48.0%</td>
</tr>
<tr>
<td>IMF Project and Program Approvals</td>
<td>8.6</td>
<td>2.168</td>
<td>25.0%</td>
</tr>
<tr>
<td>PMU</td>
<td>18.7</td>
<td>9.6</td>
<td>51.0%</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>0.8</td>
<td>0.1</td>
<td>12.5%</td>
</tr>
<tr>
<td>WB Admin Fees</td>
<td>2.1</td>
<td>1.9</td>
<td>90.0%</td>
</tr>
<tr>
<td>Totals</td>
<td><strong>81.6</strong></td>
<td><strong>38.7</strong></td>
<td><strong>47.0%</strong></td>
</tr>
</tbody>
</table>
3 Description of FIRST Context

3.1 External Context

3.1.1 Global context

Financial Sector Development and Stability

The global financial crisis (GFC) in 2008 drew attention to the need for sound financial sector infrastructure and a robust regulatory framework and supervisory apparatus to support financial sector development. While most LICs and MICs were not directly affected by the proximate causes of the GFC – over-leveraged investment in risky asset classes, new products resulting from poorly understood financial engineering, insufficient attention by banks and their regulators to liquidity risk management, and too little and low quality capital relative to institutions’ risk profiles – many were caught by the second round effects. As asset prices tumbled and liquidity dried up, financial systems in countries in Africa, Central and Eastern Europe faced crisis, and while East and South Asian countries avoided crisis, some financial systems in the region required extraordinary liquidity support by the authorities.

Lessons from the GFC, coupled with financial distress in many MICs and LICs arising from the collapse of commodity prices, political instability, or poor fiscal policies, have helped to increase the demand for financial sector technical assistance spanning the foundational or prerequisite topics of financial sector infrastructure, legal and regulatory frameworks and supervisory capacity in addition to a focus on expanding the outreach of the formal financial sector.

International standards for financial stability and consumer protection have evolved rapidly, meaning that in many LICs and MICs the gaps between current and best practices have widened. The stunning growth in mobile money and delivery of other financial services through mobile phones has been uneven across LICs and MICs. This is in part because the necessary enabling regulatory framework, striking a balance between consumer protection and a light touch permitting innovation, is absent in many countries.

New threats to financial stability have emerged, including cyber-security. Incidents such as the theft of millions of dollars from Bangladesh Bank (the central bank) through fraudulent access to SWIFT messaging have created demand for TA in this new area. Another area that has recently emerged is demand for assistance in mitigating the effects of “de-risking” as international banks have withdrawn from correspondent banking relationships due to concerns over reputational and compliance risk and escalating compliance costs. Other emerging challenges that give rise to additional TA demand include personal privacy and security, and consumer protection.

While there has been significant progress in many countries with increasing financial sector outreach and putting the required preconditions in place, the overhang of the GFC and other crises, rapidly evolving international standards, and emerging new topics continues to mandate financial sector reform. Many countries lack the necessary skills and capacity to develop and implement all of the required reform measures, and thus turn to development partners for the necessary technical assistance.
Financial Inclusion

Increasing the access of individuals and small and micro-businesses to useful and affordable financial services remains a global priority notwithstanding recent progress. The Bank estimates that two billion adults worldwide still lack access to a basic account. Women, rural poor and remote or hard to reach populations are most affected. The gender gap in developing countries is estimated at 9 percentage points, with only 50 percent of women having a basic account versus 59 percent of men. The Bank has targeted universal inclusion by 2020.

Financial inclusion is an enabler for seven of the 17 Sustainable Development Goals. The G20 renewed the Financial Inclusion Action Plan in 2015 and promulgated High-Level Principles for Digital Inclusion, the latter explicitly recognizing the impact of fintech, particularly the global spread of mobile phones. Mobile money has quickly evolved from digital transactions into a ready substitute for savings products, bringing access to finance even in remote areas not well served by traditional bricks-and-mortar financial services providers.

More than 55 countries have made commitments to increasing financial inclusion since 2010. In more than half of these countries, this has included developing a comprehensive national strategy. All of the FIRST-funded FSDIPs and earlier Financial Sector Development Strategies/Plans (FSDS/FSDPs) have included a specific focus on financial inclusion, both by increasing the outreach of existing financial services providers, and by targeting an enabling environment for innovative digital products, including mobile money.

The Financial Inclusion Support Framework (FISF), a Bank-administered trust fund, specifically targets financial inclusion, as do many bilateral donors. FinMark Trust, established in 2002 with support from DFID and later from additional partners including the Gates Foundation, focuses on financial inclusion. In addition to supporting targeted policy interventions, a key output has been FinScope Consumer surveys conducted in 26 countries (19 in Africa, 7 in Asia). These provide a foundation for data-driven analytics to identify successful approaches to increasing outreach.

Long-term Finance

The importance of long-term finance for economic growth is widely recognized, but promoting it can be a challenge. In most economies, banks provide the bulk of available long-term finance, which frequently results in a mismatch between the terms of banks’ funding and assets, with the attendant risks due to the scarcity of long-term funding and an inadequate supply of long-term financing relative to demand. Financial deepening through the establishment of capital markets and large non-bank institutional investors generally lags behind the growth of bank-based intermediation. Expansion of the financial sector beyond deposit-taking-based intermediation requires important prerequisites, including a legal framework for issuance of capital markets instruments, legal framework and capacity for market conduct regulation, payments and settlement infrastructure, and the symbiotic growth of key institutional investors – life insurance companies, pension funds, collective investment schemes and private equity funds.

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Weak public institutions and an inadequate legal framework naturally lead to shorter maturities on financial instruments, so the policy focus should be on strengthening these prerequisites. While the need is widely recognized, there are relatively few TA options for countries seeking to develop broad and deep capital markets. The IMF provides a limited amount of technical assistance in this area, largely focusing on legal and infrastructure issues including payments and securities settlement, and to a lesser extent on capital markets oversight. The Bank has expertise but funding can be a challenge, particularly as capital markets development is generally best targeted to MICs, as LICs more typically lack the pools of longer term funds – demand for life insurance, pensions, and collective investments increases as the middle class grows, so the necessary critical mass is more usually found in higher income countries.

**Financial Sector Assessment Programs**

In the wake of the Asian financial crisis in 1999, the WB and the IMF launched the Financial Sector Assessment Program (FSAP) to help countries reduce the likelihood and severity of financial sector distress. FSAPs play a significant role in assessing the soundness of financial systems, identifying country’s developmental needs in terms of infrastructure, institutions and markets as well as a country’s compliance with selected financial sector standards and codes.

The significant changes in international financial sector standards and approaches to financial stability subsequent to the global financial crisis continue to influence the evolution of FIRST’s approach to fulfilling its mandate. While the original intent of supporting the implementation of recommendations of Financial Sector Assessment Programs (FSAPs) remains important, the reality for most LICs and MICs is that the priority given to systemically important financial sectors means 10 to 15 years are likely to elapse between FSAPs. Thus, the diagnostic and analytic base necessary for coordinated and effective TA interventions for financial sector development is likely to be out of date, if available at all, in the countries most in need of developmentally focused financial sector TA. When available, FSAPs will continue to provide this foundation, however, the absence of a recent FSAP should not be a barrier to

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**World Bank feedback on FSAP Landscape (April 2017)**

In recent years, the IMF has been conducting 13-15 FSAPs per year at an annual cost of US$13-15 million. *(Review of the Financial Sector Assessment Program – Further Adaptation to the Post-Crisis Era, 8/18/2014, IMF).* The IMF confirmed in the virtual meeting on March 31 that there is no foreseeable increase in the number of FSAPs annual of 13-15 and nor are medium-term changes are expected. Also discussed in the 2014 Board reviews is that the stronger focus on systemic risks, and the overall macrofinancial approach means streamlining of standards assessments (mostly ROSCs) that provide detailed findings of sectoral gaps. In some cases, these are replaced by technical notes but not always. There is potential for the FSSR to fulfill a portion of the diagnostic need.

On the Bank side, funding for FSAPs is more modest, and there is limited funding assigned on an ongoing basis for FSAP development modules. FSAP modules are useful for greater depth in the treatment of subject areas and findings to support technical assistance, but themselves are but a complement and not a substitute for the full FSAP. *(The Financial Sector Assessment Program: Addressing the Needs of Emerging Markets and Developing Economies (EMDES), 8/27/2014, World Bank).* From 2009 to 2014, the Bank lead and completed 10 development modules – 6 in MICs and 4 in LICs. The Bank confirmed in the virtual meeting that in reality that the FSAP is presently not completely able to cover the needed diagnostics for FIRST TA. Other diagnostics are not widely available, and therefore some use of FIRST to cover the gap is needed.
providing well-coordinated TA support.

In 2013, FIRST developed a tool to provide the diagnostic and analytic foundation for targeted TA interventions in the absence of an FSAP – the Financial Sector Development Implementation Program (FSDIP). More recently (2016), the IMF announced plans to launch a new trust fund to focus on financial stability assessment in countries outside of the mandatory five-year FSAP schedule.

Financial Sector Reform Support

Several institutions and programs have emerged over time that provide TA for financial sector reform in LICs and MICs, including donor trust funds, development bank funds and individual donor programs as illustrated in Exhibit 3.1. In addition, the IMF is in the process of establishing a new initiative, the Financial Sector Stability Fund (FSSF) to support its financial sector stability work. At the time of data collection, IMF was seeking financial commitments from donors for the FSSF.
### Exhibit 3.1 Support for Financial Sector Reforms

<table>
<thead>
<tr>
<th>TRUST FUND</th>
<th>IMPLEMENTING ORGANIZATIONS</th>
<th>DONORS</th>
<th>SUPPORT</th>
<th>OBJECTIVES</th>
</tr>
</thead>
</table>
| Financial Sector Advisory Center (FinSAC)       | WB                       | Austria                  | USD 16.5 million       | Aims to deliver policy and technical advice and analytical services to client countries in the emerging Europe and Central Asia (ECA) region. FinSAC’s four thematic pillars:  
Financial Stability, Crisis Prevention, and Macroprudential Frameworks  
Microprudential Regulatory and Supervision Frameworks  
Bank Recovery and Resolution  
Consumer Protection and Financial Literacy |
| Financial Inclusion Support Framework (FISF)    | WB                       | Gates Foundation         | USD 30 million         | Accelerate and increase the effectiveness of reforms and other country-led actions to achieve national financial inclusion goals by scaling up and leveraging the WBG’s policy dialogue, analytical work and financing for financial inclusion |
|                                                 |                          | Government of Netherlands| 2014-2019               | Multi-year technical assistance to DFIs Focus on Financial inclusion |
| Financial Sector Deepening Programme (FSD Africa) | FSD Africa               | DFID and others          | Created in 2012        | Aims to reduce poverty across sub-Saharan Africa by building financial markets that are efficient, robust and inclusive  
FSD applies a combination of resources, expertise and research to address financial market failures and deliver a lasting impact. FSD Africa has a mandate to work across sub-Saharan Africa on issues that relate to both ‘financial inclusion’ and ‘finance for growth’. |
<p>|                                                 |                          |                          | Implementation 2013-18 | 30 million GBP Plans to target 20+ institutions by 2019 |</p>
<table>
<thead>
<tr>
<th>TRUST FUND</th>
<th>IMPLEMENTING ORGANIZATIONS</th>
<th>DONORS</th>
<th>SUPPORT</th>
<th>OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harnessing Innovation for Financial Inclusion (HiFi)</td>
<td>WB Group</td>
<td>DFID</td>
<td>September 2014-Dec 2019 43 million EUR – support LT projects</td>
<td>To provide poor people with access to a broad range of financial services such as payments, savings, loans, and insurance by continuing to support piloting new ideas and approaches, and to support technical assistance regulators and commercial players for enhancing industry knowledge and practice about business models, pricing and design of financial products. Access to these services enables consumers to acquire productive assets, invest in health and education, and make other purchases that enrich their lives.</td>
</tr>
<tr>
<td>Korean Trust Fund (KTF)</td>
<td>WB</td>
<td>Government of Korea</td>
<td>USD 16 million</td>
<td>Improve and develop financial and private sectors in the EAP region by delivering better TA and advisory services to EAP countries. Focus areas: financial stability, financial crisis mitigation, international standards (insolvency, bank capital and liquidity, corporate governance, etc.), reform of state owned FIs, capital markets, consumer protection and financial literacy, regional integrations/liberalization of trade, infrastructure finance.</td>
</tr>
<tr>
<td>MENA Transition Fund</td>
<td>ADB, IFC, IMF, ISB, OPEC Fund for International Development, OECD, WB, EIB, Arab Fund for Economic Development, Arab Monetary Fund, EBRD</td>
<td>UK, USA, Saudi Arabia, Germany, Canada, France, Japan, Kuwait, Russia, Denmark, Netherlands, Qatar, Turkey, UAE</td>
<td>Following G8 establishment of the Deauville Partnership in 2011. USD 230 million</td>
<td>The objective of the Transition Fund is to improve the lives of citizens in transition countries, and to support the transformation currently underway in several countries in the region by providing grants for technical cooperation to strengthen governance and public institutions, and foster sustainable and inclusive economic growth by advancing country-led policy and institutional reforms.</td>
</tr>
<tr>
<td>TRUST FUND</td>
<td>IMPLEMENTING ORGANIZATIONS</td>
<td>DONORS</td>
<td>SUPPORT</td>
<td>OBJECTIVES</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------</td>
<td>--------</td>
<td>---------</td>
<td>------------</td>
</tr>
<tr>
<td>Public-Private Infrastructure Advisory Facility (PPIAF)</td>
<td>WB</td>
<td>France, ADB, Australia, Austria, Germany, IFC, Italy, Japan, USA, Netherlands, Norway, Sweden, Switzerland, UK, USAID, WB</td>
<td>Created in 1999. It approved USD 25 million for TA support in 2016</td>
<td>To help clients build and strengthen institutions, develop capacity, and increase creditworthiness. PPIAF is a catalyst for increasing private sector participation in emerging markets. In particular, PPIAF addresses blockages in private sector participation in infrastructure as a result of institutional weaknesses and lack of capacity, particularly on the public side.</td>
</tr>
</tbody>
</table>
3.1.2 FIRST Donors

FIRST donors during Phase III have a common interest in and commitment to financial sector reforms. However, as to be expected, their individual priorities differ vis-à-vis the profile of countries they support (LICs, MICs, fragile states), their regional and/or national priorities (some favouring Africa over other regions), the emphasis placed on cross-sectoral priorities (such as gender and the environment among others). Moreover, FIRST donors are affected by evolving national, regional and global geo-political environments that influence their policies, priorities and funding decisions. For multi-donor initiatives such as FIRST, the variation in donor priorities and contexts presents potential challenges (such as identifying common objectives and a working modality) and opportunities (such as complementary ideas, new thinking, lessons learned).

3.1.3 World Bank Context

Finance and Markets Global Practice

The World Bank Group (WBG) has been undergoing institutional reforms since July 2014 when it created 14 Global Practices. The Finance and Markets (F&M) Global Practice (GP) promotes financial stability and aims to develop diversified, efficient and inclusive financial systems at the global and country levels. It engages in three global mandates for the financial sector: financial stability and integrity; financial access and inclusion; and long-term finance and risk management. The work of the F&M Global Practice receives considerable support from WB Trust Funds (70 percent).11

The F&M practice regards FIRST as the WB’s flagship financial sector global trust fund supporting country level TA, particularly in relation to the follow-on work for FSAPs and more specifically, work related to financial stability and financial regulatory work, which fall under or are related to other Trust Fund foci.

FIRST is the largest trust funded program after the Consultative Group to Assist the Poorest (CGAP), which was established in 1995. Together, these two programs account for roughly 60 percent of the overall donor contributions to the GP. CGAP, however, operates as a separate, independent entity and does not contribute to meeting the GP’s overall work program.

Remaining donor contributions are concentrated across 16 global partnership programs largely focused on specific regions or specific themes. The largest of these are shown in Exhibit 3.2. The Pacific Catastrophe Risk Assessment and Financing Initiative was established to increase the financial resilience of the Pacific Island Countries against natural disasters and their capacity to meet post disaster funding needs. The Stolen Assets Recovery Initiative (STAR) was launched with the United Nations to combat corruption. The Harnessing Innovation for Financial Inclusion program (Hi Fi) is a DFID-funded TA and knowledge program designed to leverage technology and innovative service models to deepen access to formal financial services on a commercially sustainable basis across 10-15 DFID priority countries in Africa and Asia over seven years. The program is jointly implemented by IFC, CGAP, and the WB F&M GP (USD 15.4 million).

11 Will be revised once we receive requested information from the World Bank F&M Global Practice
Exhibit 3.2 Trust Funded Programs

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>CUMULATIVE CONTRIBUTIONS (M$)</th>
<th>DATE OF INCEPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultative Group to Assist the Poorest (CGAP)</td>
<td>306.4</td>
<td>1995</td>
</tr>
<tr>
<td>FIRST</td>
<td>172.7</td>
<td>2007</td>
</tr>
<tr>
<td>Financial Inclusion Support Framework</td>
<td>46.4</td>
<td>2016</td>
</tr>
<tr>
<td>Pacific Catastrophe Risk Assessment and Financing Initiative (PCRAFI)</td>
<td>33.2</td>
<td>2009</td>
</tr>
<tr>
<td>Stolen Asset Recovery Initiative (STAR)</td>
<td>17.4</td>
<td>2012</td>
</tr>
<tr>
<td>Harnessing Innovation for Financial Inclusion</td>
<td>15.4</td>
<td>2014</td>
</tr>
</tbody>
</table>

Programmatic approach

The WBG’s recently adopted Programmatic Approach\(^{12}\) (PA) was introduced to improve coherence and synergies of the F&M activities within the country in which it implements and to help reduce fragmentation in technical ASA, but has the potential to be at odds with the demand-driven nature of FIRST. The consolidation of ASA activities has created incentives for project teams to have more comprehensive solutions, thus pushing up the project size. Another factor that has contributed to the cost increase is the WBG’s recent full cost recovery on trust funds.

Gender

Beyond linkages with other Global Practices, the WB’s Cross-Cutting Solutions Areas (CCSA) intersect thematically with its work on financial sector reform in a variety of ways. Climate change, fragility, conflict and violence, jobs and public-private partnerships are all affected by the efficient allocation of resources, increased return on investment and accelerated growth. Women’s economic empowerment takes center stage in such dynamics, with the Bank’s continued recognition that investing in gender equality is *smart economics* and that structural barriers to gender equality can be addressed via financial sector reform work.

Since 2016, the Bank is in the process of implementing its new Gender Equality Strategy 2016-2023.\(^{13}\) Its four key areas have direct implications for financial sector reform work:

- Improving human endowments – through health, education, and social protection services and programs
- Removing constraints for more and better jobs – including tackling skills gaps and occupational sex segregation and addressing issues related to unpaid care

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\(^{12}\) The WBG/F&M GP Programmatic Approach is an umbrella product line allowing for the combination of more than one ASA activity under one common development objective, which is usually at the high level. One PA could span across sectors, themes, and additional tasks can be added during the PA lifecycle. FIRST’s Programmatic Window concept is more focused, with a mandatory apex target.

• Removing barriers to women’s ownership and control of physical and financial assets (land, housing, technology, finance)
• Enhancing women’s voice and agency – their ability to make themselves heard and exert decisive control over key aspects of their own lives – and engaging men and boys.

In order to contribute to meeting this commitment, staff from the Finance and Markets GP are working on a framework to operationalize the WBG gender strategy and FIRST is providing input into this. Strong leadership and guidance from Bank management is required in the future for TTLs to pursue this mission, especially given the recognition that gender is a particularly difficult issue to address in the financial sector reform area because women have been traditionally marginalized from formal financial structures, institutions and markets.

3.1.4 IMF Context

Capacity building is one of IMF’s three core mandates. The technical assistance budget of the Monetary and Capital Markets (MCM) Department, which plays the lead role in IMF support for financial stability and financial inclusion, has increased by six percent per year for seven years. The IMF has a number of trust funds such as the Japan Trust, and also operates multi-donor funded regional technical assistance centres (RTACs).\textsuperscript{14}

FIRST is a relatively modest source of funding for IMF TA: about 8 percent of the IMF’s yearly donor-financed TA, which is about 70 percent of the annual TA budget. Despite increasing resources and current donor support for about 50 percent of the TA budget, demand for financial sector TA exceeds supply, thus the IMF needs to either generate new funding sources or prioritize and ration TA provision.

The IMF developed the Financial Sector Stability Review (FSSR) Trust Fund during the 2016 annual meetings. This new TA instrument is to serve as a sound diagnostic upon which financial sector reform programs can be built and implemented. FSSRs are highly tailored to LICs’ level of development and, taking into account their often weak financial systems and institutional capacity, provide targeted operational advice and capacity building drawing upon the Fund’s deep experience and global reach. IMF reports that FSSR is a TA product and is not intended to mirror, duplicate or substitute for FSAPs. The number of donors and amounts of commitments are yet to be confirmed, as are the operational procedures.

\textsuperscript{14} The RTACs deliver TA across the range of Fund competencies including fiscal and statistics, not only support for the financial sector.
3.2 Internal Context

Ambitious Phase III agenda

During the timeframe covered by the evaluation, the FIRST Initiative underwent a number of internal changes, including certain changes driven by the implementation of the Phase III Strategy. Emboldened by the recommendations of the 2010 CG meeting and the Phase II evaluation, changes in WBG Trust Fund policies, increased demands for technical assistance following the global financial crisis, and some leftover Phase II contributions, the design of Phase III included several new components and approaches including: the introduction of a Programmatic Window with ambitious targets; the inclusion of FSDIP as a specific type of catalytic project; a decision to increase emphasis on and support for results-based management throughout the Initiative, including a new monitoring and evaluation system; a commitment to having a greater focus on gender and the introduction of a Gender Mainstreaming approach; and an agreement to develop a knowledge management strategy. These represent an ambitious number and types of changes over a relatively short period, particularly given PMU staff turnover at the end of Phase II; some of these changes are still unfolding.

Protracted Phase III design

The Phase III design phase was protracted for several reasons including changes in WB Trust Fund policies that prescribed more standardization of Trust Funds, which in turn led to significant revisions by WBG Legal and TF departments to make the FIRST Charter compliant. Since FIRST is jointly implemented by the Bank and the IMF, the process included negotiations between the IMF and WB lawyers to come to a common position, which took time and was followed by further negotiation within the GC to agree on all the new provisions. The Phase III Strategy was approved before the above required changes to the Charter were identified, leading to some inconsistencies (see sidebar). The GC never formally approved a results framework for the overall Initiative, and remains without one to date.

Key milestones

Several key milestones during Phase III have had effects on Phase III implementation and Phase IV design.

- During the Consultative Group meeting in 2015, FIRST clients provided feedback on Phase III implementation to the GC and the PMU. The meeting identified a number of priority changes/improvements for FIRST, which have been used to inform FIRST actions since 2015. FIRST progress in addressing these actions is examined in section 5.3.

- At their most recent meeting in December 2016, GC members considered some changes to FIRST strategic directions and management to improve its efficiency. Decisions made during that meeting have some effects on Phase III implementation as well as Phase IV design. The implications are noted as relevant throughout this report.
4 FIRST Project and Program Performance

4.1 Introduction

The purpose of this chapter is to analyze the performance of FIRST Phase III projects and programs using OECD-DAC evaluation criteria (relevance, effectiveness, efficiency and sustainability). The analysis draws upon: an evaluation of completed Phase III catalytic projects and five active Phase III programs at 30 June 2016; the results of site visits and analysis of Phase III projects and programs in Rwanda, Lesotho and Morocco; an analysis of FSDIP programming in Seychelles and Bhutan; and a review of FIRST program and project management practices. The analysis also reflects feedback from PMU staff, FIRST clients, and WB and IMF stakeholders.

4.2 Performance of Completed Catalytic Window Projects

The evaluation team’s financial sector experts rated 37 completed FIRST projects (as noted above, all were implemented by the WB, as no IMF projects had been completed). The overall weighted average rating across criteria for all projects was 4/5 (or Good), with only five projects rated below 3/5. The ratings by evaluation criteria are shown in Exhibit 4.1. ‘Could not rate’ indicates that some projects could not be rated on all four criteria due to lack of data/documentation on a specific criterion. Further detail on the relevance, effectiveness, efficiency and sustainability of the FIRST Phase III catalytic projects reviewed are provided in the findings that follow. Appendix X contains the ratings of each criterion for all projects reviewed.

Exhibit 4.1 FIRST Catalytic Project Ratings by criteria, rated on a scale of 1-5

<table>
<thead>
<tr>
<th>RATING (1-5)</th>
<th>NUMBER OF PROJECTS BY RELEVANCE RATING</th>
<th>NUMBER OF PROJECTS BY EFFECTIVENESS RATING</th>
<th>NUMBER OF PROJECTS BY EFFICIENCY RATING</th>
<th>NUMBER OF PROJECTS BY SUSTAINABILITY RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rated 1/5</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Rated 2/5</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Rated 3/5</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Rated 4/5</td>
<td>5</td>
<td>11</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Rated 5/5</td>
<td>18</td>
<td>9</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>
Could not rate | 2 | 2 | 4 | 3
---|---|---|---|---
Total | 37 catalytic projects

**Finding 1:** The majority of reviewed Phase III projects were highly relevant in client countries.

Relevance was assessed by reviewing evidence of a project’s alignment with national financial sector policy needs and the quality of deliverables produced by FIRST consultants. In the sample of reviewed projects, 66 percent of completed catalytic projects were rated either 4/5 or 5/5 for relevance.\(^\text{15}\)

In the sample of 37 reviewed projects, the majority (54 percent) were based on FSAPs/FSSAs or linked to national financial sector plans; 30 percent were based on diagnostics from previous activities funded either by FIRST or through other WB projects; 16 percent were based on client demand without clear or credible links to prior diagnostics or national plans. As of December 2016, FIRST reported that 54 percent of approved projects/programs link to FSAPs/ROSCs.\(^\text{16}\) The majority of projects in countries without recent FSAPs, such as Morocco, were linked to national financial sector plans. Several projects received lower rating on relevance because their scope was only tangentially related to specific FSAP recommendations or did not appear grounded in the country’s financial sector reform strategy. For example, Tunisia A001 supported the creation of an asset management company specifically for the tourism sector which was not in line with the FSAP recommendation for a more conventional asset management company.

Overall, the quality of deliverables produced for the FIRST projects reviewed was considered good. For 17 of the 35 projects rated (49 percent), the evaluation team’s financial sector experts indicated that the quality of the deliverables was of a high standard, aligned with international standards/best practices, clearly grounded in diagnostics and sufficiently tailored to the national context. The quality of deliverables for 11 of the projects (31 percent) was average, and the experts identified small areas for improvement or deviations from international standards, but overall the deliverables were useful to the clients and aligned with national context. The remaining 7 projects (20 percent) received low ratings on quality for various reasons, including: the project was closed and/or the deliverables were not produced,\(^\text{17}\) the deliverables did not sufficiently reflect the changes in local context that occurred during the project timeframe, the

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\(^\text{15}\) Based on 35 projects, as 2 of the 37 projects could not be rated for relevance.

\(^\text{16}\) A small number of rated projects deviated from recommendations in FSAPs, due to client requests, with mixed results. For example, ‘Establishment of an Asset Management Company’ in Tunisia, provided a draft AMC law that was not implemented as there was not sufficient political buy-in for it and it did not sufficiently address tourism sector needs (as outlined in the FSAP recommendations).

\(^\text{17}\) Philippines Crisis Preparedness Framework (closed at mid disbursement, due to two changes in TTL, lack of TL, and subsequent lack of responsiveness in the local government). Nepal Bank Resolution Capacity Building (not all deliverables were produced due to the lack of a qualified consultant and the subsequent earthquake).
deliverables were not provided for review, or the deliverables differed significantly from the proposal and the justification for the change was not provided in the GRM report.

A potential area for improvement noted during the field missions and document review was the potential to engage in broader consultation with national ministries beyond the client ministry/agency. In Uganda, involvement of the Ministry of Finance appears to have been limited at outset despite the project scope including legislative change which would have to be steered by the ministry. The GRM notes that the need for early involvement of the ministry (which the team undertook once the project started) is a lesson learned. Better and broader consultation may enhance the relevance of FIRST projects to a broader range of national stakeholders and increase their engagement in important issues.

Rating relevance was difficult in a small number of projects in which there were significant changes between the proposal/design and the ultimate outputs that were delivered. The GRM reports do not provide explicit space to explain or comment on such changes and there was no additional documentation provided that showed the submission and approval of these changes.

Finding 2: The majority of FIRST projects were effective in that they have generated outputs and are likely to produce preliminary outcomes. The ratings of overall effectiveness of some projects were affected by unrealistic objectives and limited information on results in the GRMs.

With Phase III one year from completion, FIRST projects have generated a substantial number of outputs and preliminary outcomes. Highlighted outcomes include the enactment of 27 laws/regulations, the adoption of stronger supervisory and institutional frameworks for 11 agencies. FIRST provided TA for three sector strategies or policy plan outputs that were approved by national entities, and introduced six FIRST clients to six new financial products. Some FIRST projects and programs are also reported to be addressing women’s financial needs (see Section 5.6, finding 28). Based on data collected by the PMU from project completion reports, client surveys, and new approvals, there have been 24 follow-up reforms worth nearly USD 620 million, funded by development partners as well as FIRST client’s resources. Two examples include a grant of USD 150 million provided by the Colombian government for introducing new housing products and a WB loan operation of USD 5 million, of which USD 2.6 million is dedicated to financing software and hardware following a Payment System and Credit Reporting Infrastructure activity for Djibouti.

18 For example: Lebanon A012, Namibia A0004, Nepal B043, Tunisia A053.
20 Djibouti A034 Payment System and Credit Reporting Infrastructure and Colombia A006 Housing Finance for Low-Income from FIRST Operational Targets Tracker, January 2017.
Although the survey response rate was moderate, the vast majority of the respondents (15 out of 17) indicated that the quality of TA received was positive. The majority of respondents indicated that the quality of legal-regulatory advice, strategies, methodologies and tools, and capacity building activities was Good or Very Good (>80 percent for each type of support indicated). No respondents rated the quality of TA lower than Fair, although several indicated they ‘Did not know’. Both the survey data and interviews confirmed that clients appreciate the performance and quality of WB consultants and the WB/IMF project teams, who also received even higher survey ratings (>85 percent Good or Very Good).

The review by the evaluation team’s financial sector experts presented a more nuanced picture. The average effectiveness rating was 3.5/5 with a median of 4/5 (see Exhibit 4.2). This was the lowest rating of all four criteria, but still above 3/5, or Fair. Eight of the projects received a rating of 2/5 or lower. The primary reasons for lower ratings include: the project was closed before completion and TA was not fully delivered, significant changes were made between the proposal and the outputs delivered not properly explained in the GRM reports, project scope was either too broad or too narrow to achieve the objectives outlined in the proposal, or the project was not implemented due to changes in the enabling environment.22

FIRST Catalytic Project Highlight

First provided technical assistance for Strengthening Deposit Insurance Reserve Targeting in Nigeria, a project that was rated 5/5 on all four criteria by the evaluation team.

The Nigeria Deposit Insurance Corporation (NDIC) administers deposit insurance and supervises banks in Nigeria. In 2012, the deposit insurance fund level (to pay depositors) was high by international standards, however, to determine more precisely the appropriate target required reviewing the NDIC’s approach and applying international guidance on setting target fund ratios to Nigeria’s circumstances. First delivered a small, targeted catalytic project focusing on analyzing and estimating the adequacy of insurance reserves at the NDIC. The project team reviewed the current level of the fund, assessed the viability of [options to] ensure the adequacy of the fund... and proposed a methodology for estimating the adequacy of the insurance reserves. In February 2016, the proposed methodology was formally adopted to determine the target fund ratio. Subsequently, the governor of the Central Bank of Nigeria (CBN) issued a formal request for follow-on TA to strengthen the capacity of the CBN for contingency planning and crisis management and this request has been included in a subsequent FIRST program. FIRST is working to ensure that the lessons learned from the Strengthening Deposit Insurance Reserve Targeting in Nigeria are being integrated into fund-modeling work in other countries, including a recent catalytic activity, with the Deposit Protection Corporation in Zimbabwe. (FIRST Results Achievement, Annual Report 2016)

The high ratings by the evaluation team were given for a number of reasons: the project was well scoped – it addressed a clear priority for enhancement of the financial sector safety net and provided a reasonable approach to address this issue given the funding and timeframe; the recommendations of the report were implemented by the client and the outcome was documented by FIRST; the project was implemented on time and under budget; and finally, the client has the intention, systems and capacity to maintain and update the FIRST-funded technical assistance.

As is often the case with client surveys, it is possible that the survey data is slightly positively skewed, as the clients most likely to dedicate time to responding to the survey are those who have had positive experiences with FIRST and would like to receive follow-up TA.

Example of project effectiveness limited by inappropriate scoping: “Banking Laws Modernization and Crisis Preparedness” in Tunisia. Deliverables provided for review do not cover the full scope of component 1 and component 2 as outlined in the project approval document. It was unrealistic to expect a complete draft crisis management handbook to be completed in the activity, given the need for legal revisions, and the time that would be required to make the appropriate institutional arrangements and reach consensus on crisis management.
Overall, based on the project documentation, 56 percent of completed activities showed strong likelihood of achieving results (i.e. effectiveness). According to the most recent Quarterly Update, the percentage of completed activities is likely to be higher by the end of Phase III. However, citing an exact percentage of projects that are likely to achieve results would be speculative, as the number of projects in the universe will increase and only a sample have been reviewed.

The evaluation’s financial sector experts commented that for a number of these projects, the objectives, targets and expected results were unrealistic from the outset, and that the project approval document indicated greater benefits than were realized. They also noted that the quality of information on implementation in some GRM reports was poor, and that the FIRST program would benefit from further follow-up to document progress in implementing the recommendations. Specifically, at the level of individual projects, an update on the "Grant Outcome Indicators" section of the GRM reports to determine if the "target value" has been met, would provide a clearer picture of the effectiveness of FIRST activities. Some interviewed stakeholders feel that FIRST has been instrumental in leveraging support and has played a catalytic role for follow on initiatives by governments and other development partners. Enhancing follow-up would also assist with capturing the range of outcomes of FIRST-supported activities.

**Finding 3:** Overall, FIRST catalytic projects appear to be managed efficiently. However, based on Phase III experience to date, the prescribed timeframe for completion of catalytic projects is not realistic.

The efficiency of FIRST projects was rated highly by both the evaluation team financial sector experts and FIRST clients. Only 21% percent of projects were rated below 4/5 by the evaluation team and 78 percent of FIRST clients rated the timeliness of the approval process and delivery of consultant work as Good (4/5) or Very Good (5/5). Among the projects that did experience significant ‘delays’, the most frequently noted factors were: insufficient timeline forecast in project design (required to pass legislation), national capacity constraints either within the client organization or the parliament, and a change of government resulting in shifting national priorities. Of the 47 completed projects in Phase III, 37 (79 percent) required protocols. The proposed revised banking law was ultimately adopted. However, it is unclear from available documents if the non-bank law revisions were enacted. Despite GMR rating of component 1 as highly satisfactory, the Financial Stability Handbook falls short of providing an actual crisis management protocol. The latest IMF staff report indicates further work is still required on crisis management and resolution in the country.

23 For example, the approval for Colombia A006 noted that the data required for a credit scoring model was unavailable; therefore the expected creation of a database would have been conceptual at best.

24 Based on 33 projects, as 4 of the 37 projects could not be rated for efficiency.
extensions with an average extension of 222 days. Clients surveyed and interviewed indicated that they appreciated the flexibility of the PMU regarding project extensions.

A number of TTLs commented that the timeframe for implementing FIRST projects was restrictive, given the ‘long term nature’ of the types of legal and regulatory changes FIRST supports. The Catalytic Window currently allows projects up to 24 months in length, however 17 of the 37 (45 percent) projects reviewed took longer than 24 months from the start date to closing date. Stakeholders both within and outside of FIRST questioned the prescribed maximum timeframe and suggested that a longer timeframe might allow additional implementation support to be provided, potentially enhancing effectiveness and sustainability.

Finding 4: While still at relatively early stages of maturity, the results of the majority of reviewed Phase III projects are likely to be sustained.

Overall, 68 percent of reviewed FIRST projects were rated as Good (29 percent) or Very Good (47 percent) for the sustainability or likely sustainability of project results. The sustainability ratings had the largest standard deviation, indicating a spread of ratings. Factors that contributed to lower ratings included: lack of uptake by the client, and slow implementation of results due to limited country follow-up. As project reviews were limited to available project documentation, the full picture on sustainability of results may not be captured as GRM reports are completed close to project completion. It is still too early to see the results of implementation and fully assess the sustainability of all Phase III projects.

Projects that received higher sustainability ratings showed early promise due to evidence of quick client uptake and implementation, passing of laws and regulations that will sustain the effects of the TA provided, and consistency with both international standards and national approaches or traditions. The evaluation team’s sustainability ratings were supported by the responses to the client survey, in which 15 of the 16 respondents (94 percent) indicated that the overall utility of the services received from FIRST was Good (25 percent) or Very Good (69 percent).

4.3 The FSDIP Instrument

Finding 5: The FSDIP is an effective tool to meet client demands for assistance in developing a reform strategy in the absence of an FSAP.

The Financial Sector Development Implementation Plan (FSDIP) is an instrument for assessing needs and identifying priorities and sequencing for financial sector development, introduced as a catalytic eligible category in 2014. All six FSDIPs completed to date closed in late 2015 or 2016, making it too soon to assess actual implementation, which is a multi-year process. The evaluation team was asked to assess the extent to which the FSDIP is appropriately designed to provide client countries with an analytical basis for prioritized and well-sequenced financial sector reforms in the absence of a Financial Sector Assessment Program (FSAP). In our view, the FSDIP is an effective tool to meet client demands for assistance with developing comprehensive reform strategies or plans in the absence of a FSAP. Given the decreasing number of FSAPs being completed in LICs and MICs, it is important to the continued relevance of FIRST to provide countries with an alternative foundation for financial sector development plans. While the

25 Based on 34 projects, as 3 of the 37 projects could not be rated for sustainability.
analytical foundation is not as broad or as deep as in an FSAP, the FSDIP approach of building on previous TA initiatives, providing analytics as part of the project, and where necessary identifying the need for additional analytical work to be completed as part of the financial sector development plan, has provided a sound basis for countries’ reform programs.

The FSDIP instrument evolved from earlier FIRST-funded financial sector development plan catalytic projects, which were initially designed to assist authorities in implementing FSAP recommendations by providing a detailed action plan including prioritization and sequencing, designation of responsible authorities, and identification of TA needs. Key lessons from earlier work in this area were that in the absence of a clear government policy or strategic direction, individual donor-funded activities are often not coordinated and can even work at cross-purposes. As an instrument to support putting the strategic direction in place, the FSDIP is intended to be a catalyst for mobilizing additional financial and technical support, and to provide a vehicle for coordination and oversight of effective implementation. The starting point of the FSDIP is a stock-taking of prior TA reforms.

The evaluation team reviewed two FSDIP projects in Seychelles and Bhutan (see case study in Appendix VII). Both projects met a clear need to support planning and coordination for financial sector development in countries unlikely to have an FSAP over any reasonable planning horizon. Both countries had received extensive previous technical assistance, but in some instances the focus areas of previous TA were not aligned with a national strategy or plan.

The success of the FSDIP, which is intended to be a blueprint for coordinated action over a multi-year period, is crucially dependent on country ownership of the action plans, and a structure for implementation and monitoring. Both the Seychelles and Bhutan projects were well structured and appear grounded in stakeholder consultation and appropriate analytics. Stakeholder feedback from interviews in the Seychelles and the limited survey responses were positive with respect to the quality of the work and country authorities were appreciative of the availability of support for planning a sequenced and prioritized reform plan. The action plans spanned a range of development and financial stability topics, with many of the stability focused activities having a strong development component due to the need for a sound legal framework and effective supervision to increase financial inclusion.

Experience with earlier financial sector development plan projects such as those in Rwanda, Botswana and Lesotho suggests that a group or unit within the central bank or ministry of finance with a mandate and resources for monitoring implementation, and a mechanism to hold responsible agencies accountable, is crucial to success. One concern arising from the review of the Bhutan project was that the required coordinated reform efforts may not take place due to the failure to create, by project close, the planned secretariat with an explicit mandate to oversee implementation of the cross-cutting recommendations. Mitigating this concern was the fact that the authorities had already requested additional TA for implementation of some of the action items.

FIRST stakeholder interviews raised two issues with respect to the FSDIP product. First, there was the question of why FIRST did not just fund FSAPs. Even excluding cost – an FSDIP is typically completed by a team of three or four consultants, while an FSAP requires a team at least three times larger over an extended time frame, even in a small LIC – there are other issues that could not be easily addressed. The FSAP schedule is jointly agreed by the Bank and Fund, and the potential to distort the stability-focused prioritization of countries has precluded external or reimbursable funding. There would be further issues around the sharing of confidential FSAP findings with donors.
This leads to the second issue: the question of consistency and approach in an FSDIP relative to an FSAP. Unlike an FSAP, the FSDIP is not underpinned by technical notes (TNs) and detailed assessment reports (DARs) subject to a very rigorous review process; however FSDIPs could include a diagnostic similar to TNs as needed and relevant. While there is an expectation that FSDIPs will be informed by international standards and best practices, there is no equivalent to the FSAP review process to ensure that this is so. Selection of expert team members and the existing Bank review process appears to have been adequate in the case of Bhutan and the Seychelles to produce action plans that are consistent with international standards and best practices, while tailored to the specific local circumstances of the client countries. Further technical assistance may be required to ensure their implementation.

Potential constraints to successful FSDIPs are the catalytic window limits of 30 percent of the budget for diagnostic work (respondents argued that a flexible approach that was tailored to client needs was more appropriate than a rigid approach), and the budget ceiling of USD 500,000. The limit on funding for WB staff time resulted in most FSDIP work being undertaken by teams of consultants. Removal of the limit on WB staff time will lessen the constraints seen in several projects where the authorities' timing had to be adjusted in light of the limited availability of suitably experienced consulting teams.

In our view, the FSDIP is particularly relevant for LICs and smaller MICs which are unlikely to be targeted for FSAPs. FIRST should consider continuing to offer the product in a prospective Phase IV. Lessons from the earlier experience with FSDS/FSDP project are already reflected in the FSDIP selection criteria. Possible enhancements to the program would include expanded funding for diagnostic work, possibly in the form of a pre-approved budget contingency for diagnostic studies to be identified as review of prior TA work and stakeholder consultation takes place during the initial stages of the FSDIP. Removal of the hard cap on catalytic projects and sharp distinction between Catalytic and Programmatic Windows (see Section 5.6) would also help to ensure that FSDIPs were designed wholly to meet client needs rather than being tailored to fit within the selection criteria.

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**World Bank feedback on FIRST’s diagnostic support (April 2017)**

Even with FSAPs for specific TA, additional diagnostics are sometimes needed to refine the scope of the TA design. Where there is a need for a wider diagnostic of the financial sector to design and undertake broad reforms, the FSDIP has been very useful for the Bank. FSDIPs to date have been targeted to countries that have not undergone an FSAP at all. During the next Phase, it is recommended by the Bank to remove the restriction on diagnostics to enable work to be done as needed to enhance the analytical base for certain FIRST TA work.
4.4 Performance of FIRST Programmatic Window Programs

For the review of FIRST Programmatic Window programs, the evaluation team reviewed a sample of five programs in Lesotho, Morocco, Rwanda, Guatemala and Nepal.

It is premature to assess the overall performance of FIRST programs (relevance, effectiveness, efficiency and sustainability). The Programmatic Window introduced in Phase III has been slow to get off the ground, due in part to the inclusion of prescribed quantitative indicators and targets set when the Window was approved (see Exhibit 4.3), which was a deterrent to program demand. Moreover, all FIRST programs are still active. Rwanda, the first program to have been implemented in January 2014, has requested two extensions to complete components of the program. Morocco, the second program to begin, is likely to request an extension as well. Lesotho, Guatemala and Nepal are still in early stages of implementation. Given that none of the programs are completed, the evaluation team can only report partial and preliminary results.

Exhibit 4.3 Examples of Quantitative Indicators and Targets for Programmatic Window

<table>
<thead>
<tr>
<th>SECTOR/AREA</th>
<th>INDICATORS</th>
<th>TARGETS (^{27})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking – Financial Inclusion</td>
<td>Percentage of adults having an account at a regulated financial institution</td>
<td>Increase the percentage of adults having an account at a regulated financial institution by 5 percentage points after 3 years and 15 percentage points after 5 years from the program’s completion</td>
</tr>
<tr>
<td></td>
<td>Percentage of SMEs with an outstanding loan or a line of credit</td>
<td>Increase the percentage of SMEs with an outstanding loan or a line of credit by 10 percentage points after 3 years and 15 percentage points after 5 years for LICs and 5 percentage points after 3 years and 10 percentage points after 5 years for MICs from the program completion date</td>
</tr>
<tr>
<td>Prudential Regulation and Supervision</td>
<td>Number of Basel Core Principles (^{28}) adopted or improved</td>
<td>Improvement in the level of compliance with Basel Core Principles for at least 2-5 principles in 5 years from the program’s completion date</td>
</tr>
</tbody>
</table>

Finding 6: Reviewed FIRST programs are highly relevant to client needs for financial sector development, and build upon previous diagnostic and analytical work.

All five of the FIRST programs reviewed were designed based on diagnostic work and financial sector priorities. The proposals for Guatemala and Nepal indicate that the programs were built on needs identified in the 2014 FSAPs. The programs in Rwanda and Lesotho were designed to implement components of the FSDS and FSDPs funded by FIRST in Phase II, and as such, building on the analytic and

\(^{26}\) Some consulted TTLs indicated that they were hesitant to prepare FIRST programs as the additional components for project design and reporting (e.g. prescribed indicators) required a greater time investment for program preparation, without funding for proposal development or a guarantee of funding.

\(^{27}\) Banking targets, from “Programmatic Window: Targets and Indicators Guideline” approved by the GC 5 Dec 2014

\(^{28}\) Principles developed by the Basel Committee on Banking Supervision. Compliance has four levels: Compliant, Largely Compliant, Materially Non-Compliant, and Non-Compliant, www.bis.org.
diagnostic work conducted for these strategies and plans. In Morocco, the program followed a number of previous TA activities that FIRST has been funding in-country since 2009, and provides TA that is complementary to the WB’s financial sector Development Policy Loan (DPL) to Morocco, approved in April 2014. Clients reported that the programs were mainly demand-driven as a specific entity (e.g. Central Bank or Ministry) requested the support and reflected their entity’s priorities.

FIRST clients in Rwanda and Morocco displayed strong ownership of the programs and reported working with TTLs to design demand-driven programs that would meet their urgent TA needs. These programs have made the most rapid progress of the five programs reviewed, and some results are already observable. Both the clients and TTLs appreciated that using the Programmatic Window provided a committed and larger sum of funding over a longer period of time, allowing multiple and consecutive activities to be planned.

Finding 7: The oldest FIRST programs are making significant progress towards realizing planned outputs and some outcomes, demonstrating early signs of effectiveness.

As the oldest FIRST programs, Rwanda and Morocco have made the most significant progress in implementation. For example:

- In Morocco, several laws and regulations, reflecting FIRST advice, were developed and enacted (including the new Stock Exchange law and REITS law).
- In Rwanda, two laws were enacted: Deposit Insurance Law (2015) and the Pension Law (2014). Amendments to laws in the insurance sector and the law on banking have been drafted, however there have been delays getting the laws through parliament, due to the pace of national processes. The client indicated that they are likely to request support for follow-on reforms in the future, once the current TA activities have been implemented.

These two programs show preliminary evidence of progress in implementing the TA and contributing to their overall objectives. The clients rated the deliverables as high quality and were confident that given more time, the majority of activities under the programs would achieve their objectives.

In both Rwanda and Morocco, during the course of implementation decisions were taken by the authorities not to proceed with some elements of the approved programs (e.g., development of training curriculum in Rwanda on financial sector supervision). National stakeholders suggested that a clear policy from FIRST on how or if funding could be re-allocated given changing national and regional contexts, would be helpful. PMU has subsequently reported that its program tracker and annual review are part of the process for refining/resequencing/rerioritizing outputs in programs given implementation progress.

In Lesotho, Nepal and Guatemala, there had not been sufficient progress in implementation to evaluate the likelihood of achieving results. In Lesotho, stakeholders reported that few components had been fully completed and implemented. Additionally, implementation is likely to be lengthy given that the parliament has been suspended for periods of time, slowing internal processes for passing legislation. FIRST programs in Nepal and Guatemala have made limited progress due to external factors (see Finding 8 below).

Although it is too early to see how Phase III projects have contributed to impacts in the financial sector, the evaluation team observed the impacts of FIRST Phase II activities. For example, in Lesotho and
Rwanda, FIRST activities were building upon the FSD plans and strategies developed in Phase II. Rwanda, in particular, has already implemented more than 100 of the action items set out in the FSDP, including drafting and passing legislation for the regulation and supervision of collective investment schemes (CIS) and drafting the regulation on pension schemes and personal retirement savings accounts, which was also enacted.

Finding 8: The efficiency of FIRST programs was affected by delays in all five of the programs reviewed.

All five of the FIRST programs reviewed experienced delays in implementation due to both internal and external factors.

The program in Guatemala has been significantly delayed due to a change in government. Although the political instability of a country is a factor beyond the control of the implementing agency, it is a factor that should be taken into consideration as a risk at the program design stage. The program proposal noted a ‘high’ risk that the general elections would affect passing of legislation, but overall, the risk that the program as a whole could be delayed was underestimated.

The passing of legislation and general capacity of the country to implement the program has affected the programs in Morocco and Rwanda, and both are likely to require extensions to complete the planned components. In Rwanda, consulted stakeholders (including the governor, MINECOFIN, and others) noted that the selection of international consultants unfamiliar with the local context created a slower start to program implementation, and that selecting consultants with prior national experience would have likely increased the pace of delivery of outputs. In Lesotho, delays were due to legal processes, local politics, and the inability of the central bank to mobilize government ministries/agencies, which suggests more should have been done to build broader support and commitment when the program was initiated.

In Lesotho, the ability to implement all of the various components of the program was also constrained by the ability of the client to make progress on multiple different projects at the same time, at least in the early stages of the program, although internal capacity has improved in the second half of the program. In future, more attention should be paid to whether the client can adequately manage the implementation of everything requested.

The 2016 Program Annual Monitoring Report for Nepal stated that progress during the first year was limited due to the earthquakes in April and May 2015 and closing of the border with India September 2015 to February, factors beyond the control of the program.

Delays in all five programs raise questions about the set timeframe of three years for the Programmatic Window. Given the increased number of components in a program as compared to a catalytic project, the successive nature of some of the components, and the dependency on local legal and regulatory processes, it may be unrealistic to expect countries to complete programs in three years.

As the majority of FIRST programs have yet to be completed, the evaluation team cannot make a definitive statement on the cost of programs. However there is no evidence or indication to date that there will be cost overruns in the programs.
Finding 9: The sustainability of results of many FIRST programs depends on the passing of laws and regulations, which may take years, and on the capacity of national stakeholders to ensure all components are implemented after completion.

The sustainability of results was reviewed for three of the five programs, as the remaining two have made limited progress in implementation. Overall, the sustainability of the TA provided through FIRST programs will depend on the passing of key legislation related to components of the programs, after which there will be a high likelihood that results will be sustained. Passing the laws and regulations may take several years, depending on the capacity and stability of local governments.

All three programs reported capacity building of national stakeholders, which should support the sustainability of program results; however, all countries indicated that further capacity building is required to ensure that they are able to implement the components after program completion. For example, in Morocco, the Ministry of Finance would value further support in building its policy-making capacity, although the request was related more to insurance and pensions than to capital markets.

Several GC members and other stakeholders interviewed indicated that the use of local consultants had been expected to provide knowledge transfer and capacity building in recipient countries. Although local consultants were contracted in Morocco and Rwanda, consulted stakeholders in-country noted no effects or sustained inputs by these individuals. In Morocco, local consultants provided local legal expertise.

Overall, our view is that use of local consultants should be driven by needs for local legal and other expertise and not an expectation that local capacity will be increased. In our view, building capacity within the implementing ministry or central bank supports greater sustainability of results than capacity building of local consultants.

In Lesotho, stakeholders noted that the lack of consultation with some relevant ministries is affecting the sustainability of the program. Notably, for three of the program’s components (partial credit guarantees, reform of non-bank supervision (especially SACCOs), and modernizing government payments), the Central Bank of Lesotho was unable to mobilize other ministries, such as the Ministries of Finance and Small Business, behind proposed reforms, and progress on achieving the objectives for those components was limited. In Morocco and Rwanda, the FIRST program work was integrated into financial sector development planning, and based on consultations with donors and other national stakeholders, there was no evidence of duplication or inconsistency with other donor work funded in-country.

4.5 FIRST Project and Program Management Processes

This section examines FIRST processes to review inquiries and approve, monitor, report and evaluate FIRST projects and programs. It focuses mainly on the processes for FIRST projects/programs implemented by the WB, as the IMF uses its own established procedures.

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29 Morocco, Rwanda, Lesotho, excluding Nepal and Guatemala.
Finding 10: FIRST pays significant attention to quality at the project and program inquiry and proposal stages. Most of those interviewed feel the approval process could be streamlined without compromising quality.

A review of FIRST’s processes for reviewing and approving projects and programs indicates that they are comprehensive and rigorous:

- Interviewed WB TTLs and IMF staff who have been involved in multiple applications for FIRST project or program support report that the processes are rigorous and they appreciate the emphasis on results in project/program design. Some also appreciate the support received from the PMU to help make projects/programs more results-oriented.

- The review of completed FIRST catalytic projects revealed that the majority were well-designed, with the highest ratings going to projects that had a focused, realistic scope given available resources and timeframes. A few TTLs noted that, within the Bank, proposal work was not funded and suggested that some financial support during the design stage could assist in analyzing client needs and designing better proposals.  

The review of ongoing FIRST programs revealed that, like the catalytic projects, they were generally well-designed with high quality technical inputs. In one of the three countries visited, the menu of prescribed indicators and targets for the Programmatic Window appears to have driven program design, potentially undermining the demand-driven objectives. In one program (Morocco) a few elements appeared to be driven more by WB priorities than by client demand. For example, the inclusion of the SME financing component does not appear to be wholly consistent with the Moroccan capital markets development plan, but rather as something of an add-on to the well-conceived capital markets program. Equally, BAM reported that FIRST wanted to add government e-payments and remittances workstreams, whereas BAM on its own might have included only the NBPS regime.

While generally satisfied with the attention paid to quality during the design, the majority of consulted WB TTLs, IMF representatives and FIRST donors reported several shortcomings in the FIRST approval processes (see sidebar) which contributed to delays, echoing findings in the evaluation of FIRST Phase II. Interestingly, however, clients interviewed in Rwanda, Lesotho and Morocco did not raise concerns about the approval process; in the survey responses, 13 out of 17 respondents rated the timeliness of approval as Good or Very Good.

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30 Most BETFs for ASA in the Bank do not include proposal work, so FIRST is consistent.
Specific concerns raised by other stakeholders include:

- The funding approval threshold of the FIRST Program Manager (USD 125,000) – which means that the majority of requests require PAC review and approval, which lengthens the process.
- The large number of steps in the current processes – which increases the frequency of delays due to the need to coordinate with a large number of busy stakeholders at each step. TTLs and PMU representatives report that established deadlines are frequently not respected. TTLs report that they sometimes receive feedback from various individuals that is not consolidated by the PMU (and that may be contradictory), which creates additional delays.
- Variations in the appropriateness of feedback provided by different stakeholders – TTLs reported that some GC members consulted for feedback on proposals go beyond due diligence mandates and engage (inappropriately) in designing projects/programs. They also report inconsistencies in PMU feedback on proposals, noting that some PMU officers are more demanding in their requirements than others. There may be a need to review and clarify roles and expectations about feedback in future processes.
- The limited differentiation in the types of information required for projects and programs during the review/approval processes, despite significant differences in funding amounts.

Most of these challenges are well known by the GC and the PMU, and were discussed at a GC meeting in December 2016. The meeting minutes reflect general agreement that the review and approval processes are too long and should be condensed. At February 2017, the PMU was in the process of developing and pilot-testing a streamlined approach that changes the sequence and merges some steps in the approval processes to increase efficiency. The GC also agreed to review an increase in the Program Manager’s approval threshold to USD 250,000 in the Phase IV strategy.

These decisions should help reduce the time to process applications for FIRST project and program support during Phase III. In designing any subsequent phases of FIRST, the PMU and GC could consider some additional refinements such as increasing the Program Manager’s approval threshold so that it is in line with practices in other trust funds, and consider the possibility of establishing a “fast track” application mechanism for standard/routine projects (e.g. projects replicating similar work already completed with FIRST support in other countries, such as deposit insurance target fund levels, public credit guarantee schemes, and legal framework and implementation assistance for payments systems, credit reporting and collateral registries). While the country context varies, there are significant similarities in these projects which could provide a basis for streamlined approvals. FIRST could also consider greater use of a “no objection” or “lapse of time” approval process whereby smaller and simpler projects would be provided to the Project Approval Committee for review rather than requiring formal in-person discussion and review.

**Finding 11:** While FIRST design, monitoring and evaluation systems emphasize results, established systems work more effectively for FIRST programs than for FIRST projects.

**Project/Program Design**

FIRST projects and programs are expected to use established WB and IMF project/program management systems as much as possible. During Phase III, FIRST developed a Monitoring and Evaluation Framework that outlines processes and templates that are to be used to monitor and evaluate funded projects and
programs for results. A review of the updated framework (July 2016) indicates that considerable attention is paid to results during the design stage of all funded FIRST activities. All projects and programs are expected to develop a results chain, a results monitoring plan, and identify indicators that will be used to assess project/program performance. In the case of FIRST programs, proponents are obliged to select indicators from an established menu of indicators at the enabling environment and sector levels in 17 areas that correspond to FIRST sectors/areas.

Project/Program Implementation/Monitoring

FIRST Programs: TTLs are required to complete Annual Monitoring Reports for each program, using a prescribed FIRST template that requires a review of disbursements, output progress, results and risks and allows program holders to identify any needed changes. The evaluation team found that these reports provide helpful, candid summaries of program status. There is room for improvement in financial monitoring as the PMU focuses on the disbursement schedule without formally tracking disbursements relative to the percentage of the project work completed.

FIRST Projects: According to the 2013 FIRST Charter, the PMU is responsible for monitoring the implementation progress of FIRST projects executed by the Bank. In practice, PMU project monitoring practices focus on planned/actual disbursement monitoring. If and as required, the PMU follows up with TTLs about exceptions in planned disbursements, and discusses the need for changes in the project scope or duration to address contextual changes/challenges as required. TTLs report that the PMU has been very helpful in such circumstances.

Unlike program monitoring, FIRST’s formal project monitoring systems (as defined in the framework) do not include an explicit focus on the status of project progress, results or risks; however, the TTL Handover note that each TTL receives at the commencement of an approved project includes such responsibilities. Interviews with WBG staff and at least one senior manager indicate that there is some variation in the fulfillment of project implementation monitoring within the Bank by the Country Director, TTL, Technical Lead (TL) and PMU and even the Global Technical Lead. While the Bank standard for project monitoring is 15 percent of the budget (which is the same sub-threshold that FIRST applies), interviewed WB TTLs note that they frequently lack sufficient resources to supervise project implementation. In some cases, additional support would lead to a contravention in existing caps (34 percent of budget) on WB staff expenditures in FIRST projects. In addition, since FIRST project budgets are generally small, they can be overshadowed by other larger country portfolio activities. This may explain the noted shortcomings of some FIRST deliverables and technical assistance consultancies (the quality and relevance of support provided by experts) that were raised by FIRST clients during the 2015 CG meeting.

Interviews with the majority of TTLs, donors and the PMU interviewed for this evaluation underline the importance of adequate project implementation monitoring in view of the importance placed by FIRST on providing quality deliverables and support to clients. During the December 2016 GC meeting, donors

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31 We understand that in July 2016, the World Bank introduced annual progress reporting requirements for all funded projects of over one year in duration; the evaluation team has not had the opportunity to review such reports since the evaluation was tasked with reviewing projects completed as of 30 June 2016.

32 Unlike World Bank implemented projects, those implemented by IMF are not subject to any budget caps on staff time.
unanimously agreed to lift the WB staff cap in FIRST project budgets in the interest of having “the right people with the right expertise to deliver high quality projects.”

Project/Program Completion

For projects and programs, in keeping with WB procedures, WB TTLs are required to complete Grant Reporting and Monitoring (GRM) reports, while IMF staff use their own Project Assessment Reports and process. A review of the GRM reports for completed Phase III catalytic projects revealed multiple shortcomings in the quality and reliability of such reports (see sidebar). These shortcomings were acknowledged by interviewed PMU officers who indicate that this limits the utility of such reports. Moreover, the reports are prepared within a few months of project completion, which is typically too early to capture results. This feedback on GRMs contrasted with positive PMU feedback on the quality of IMF reports for completed projects.

In addition, FIRST clients are surveyed twice after a project is completed: a WB client satisfaction survey and a FIRST survey administered by the PMU that asks clients for feedback on the quality of TA received, results achieved, and the client’s future plans. This likely contributes to respondent fatigue and may explain the modest survey response rate (43%) to date. The utility of the FIRST client survey in tracking results is limited since the survey is launched shortly after project completion.

Given that the WB is already surveying clients, and the modest utility of the FIRST client survey given the staff costs associated with administering it, FIRST should consider eliminating its own client survey. In its place, it could consider carrying out periodic reviews of clusters of projects within selected countries (such as occurred in this 2017 external evaluation). Such reviews could be carried out by the PMU with support from thematic experts as required. Rather than waiting for an external evaluation to take place, these reviews could be staggered over time and used to assess FIRST performance in different contexts.

33 Minutes of the FIRST Governing Council Meeting, December 2016. P.8
34 At the time of writing, there were no GRM reports on FIRST programs.
35 Of the 44 clients surveyed, 19 responded and only 12 answered all of the questions.
Post-Completion Monitoring and Evaluation

FIRST’s Monitoring and Evaluation Framework also outlines several post-completion monitoring and evaluation steps. This makes it very different from and superior to most other Trust Funds known to the evaluation team in terms of the priority placed on collecting information on project and programs outcomes and impacts after completion. The absence of such systems is a common criticism of other development programs.

For projects, the PMU’s M&E officer is responsible for collecting information on outcomes in association with PMU Project Officers every six months following project completion until six months after the end of Phase III. The PMU has been able to collect a considerable amount of information through this exercise, which is summarized in various reports (including Operational Targets and Annual Reports). The system also requires external evaluators to evaluate FIRST projects on a selective basis. However, given the experiences of the final evaluation of FIRST Phase II and the mid-term evaluation of this current Phase III, FIRST might wish to reconsider its approach to post-project and program evaluation to focus instead on documenting the performance story of FIRST in specific/selected countries over time, rather than on individual projects.
5 FIRST Initiative Performance

5.1 Introduction

This chapter provides a review of the overall performance of the FIRST Initiative in terms of its relevance, effectiveness, efficiency and sustainability. It also reviews how the Initiative is designed, managed and evaluated.

5.2 Relevance of the Initiative

This section considers the continued relevance of FIRST objectives, principles and foci, and in keeping with the evaluation TOR, also examines the FIRST Brand.

Finding 12: The objective and principles of FIRST remain very relevant given the financial sector reform needs and resources available to support the needs of LICs and MICs.

FIRST Objective

The review of the global context (section 3) affirms the continued validity of the FIRST objective (see sidebar) on strengthening financial systems in low and middle income countries.

The majority of those interviewed for the evaluation (donors, WB and IMF staff as well as client representatives in site visit countries) reported that the program objective is very relevant to the evolving needs and contexts of LICs and MICs. For example, wide gaps between current and best practices in financial sector management, new threats to financial stability (including cyber-security), and challenges associated with the effects of de-risking, personal privacy and security and consumer protection are all taking their toll on the financial stability in LICs and MICs. In addition, they are also actively seeking ways to increase access of individuals and small and micro-businesses to useful and affordable financial services and to expand their financial sector beyond deposit-taking-based intermediation. A program such as FIRST that supports these needs is deemed highly relevant.

The FIRST objective is also quite relevant given the priorities of FIRST’s current donors, although as discussed in Section 3.1.2, donors varied in the priority placed on LICs and MICs. For example, DFID and the Netherlands stipulate that their support be targeted to LICs. In addition, FIRST donors are subject to ongoing changes in their foreign policies and priorities given their own evolving geo-political contexts.
Finally, the review of completed catalytic projects (Section 4.2) and ongoing FIRST programs (Section 4.4) also found that FIRST-funded activities have been very relevant to the needs of FIRST clients during Phase III.

**FIRST Principles**

Interviewed FIRST stakeholders also confirmed the continued relevance of FIRST principles as shown in Exhibit 5.1 below. There is continued endorsement of the need for FIRST to continue to have a demand-driven approach, and to emphasize additionality, harmonization, transparency and accountability.

Stakeholders did raise a few concerns, however, in how FIRST translated a couple of these principles into action, particularly the demand-driven approach principle, noting that there are several contradictions between this principle and FIRST’s operational targets. These matters are addressed in the review of FIRST Initiative design, Section 5.6.1.

**Exhibit 5.1  Continued Relevance of FIRST Principles**

<table>
<thead>
<tr>
<th>PRINCIPLE</th>
<th>DEFINITION</th>
<th>OBSERVATIONS</th>
</tr>
</thead>
</table>
| A demand-driven approach with open access           | FIRST aims to be demand-driven and open in its approach, as a strong advocate of financial sector development, and seeks to identify effective new ideas and modalities in the delivery of TA. To this end, FIRST accepts TA requests from a wide range of sources for the benefit of client countries. As the designated implementing entities, the Bank and the IMF prepare funding proposals to be considered for FIRST financing. | The demand-driven approach was endorsed by all persons interviewed.  
The site visits indicated high levels of ownership for most of the initiatives undertaken.  
Many stakeholders noted that the FIRST design (as reflected in the Operational Targets) imposes several requirements (e.g., predetermined performance indicators—see section 5.6) that effectively contradict the demand driven principle.  
Several interviewed donors noted that unlike earlier phases, most client inquiries are routed through WB or IMF representatives rather than being sent directly to FIRST, and expressed the desire that FIRST be more proactive in soliciting such requests in the future. The 2013 Charter dictated the closer alignment of FIRST with Bank Executed Trust Fund requirements. |
| Additionality                                       | FIRST seeks to ensure that it funds activities that are complementary to those being funded from other sources and that its funding does not substitute for or displace more suitable or appropriate assistance available from other sources. FIRST seeks to excel in efforts to promote learning and knowledge sharing in the area of financial sector TA. | Document reviews and interviews indicated that this principle continues to be important to all stakeholders. In addition, this principle is clearly reflected in the multiple communication, coordination and feedback processes built into the review of FIRST inquiries and proposals. |
**Finding 13:** FIRST’s broad scope, geographically and thematically, as well as its flexibility to respond to country financial sector reform needs, distinguishes it from existing WB Trust Funds in the F&M Global Practice. Moreover, the demand for financial sector stability strengthening exceeds additional support that may become available if and when the FSSF Trust Fund is established by IMF.

As noted in Section 3, FIRST supports a broad range of financial sector needs which can be grouped into three main areas: financial stability, financial inclusion and financial sector deepening. The review of the global context (Section 3.1.1) confirms that needs exist in these areas.

A review of F&M Global Practice Trust Funds (Section 3.1.3) indicates that FIRST has several important distinguishing characteristics: unlike others, it is not narrowly bound by: i) specific regions (unlike the majority of other existing Trust Funds) or ii) specific themes (such as catastrophe risk assessment and financing, stolen assets, insurance). The F&M GP has no other similar vehicle that provides the same level of broad based, flexible TA as FIRST. This is particularly true in the area of stability: FIRST remains the only large scale funding available for this critical work on financial sector reforms and for help in ensuring that the gains in other areas (such as Financial Inclusion) are not lost in the event of financial crisis. The financial sector regulatory work funded by FIRST through its projects complements many other financial inclusion initiatives.

**Exhibit 5.2** F&M Trust Fund Landscape by Region

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>GLOBAL</th>
<th>AFR</th>
<th>EAP</th>
<th>ECA</th>
<th>LCR</th>
<th>MNA</th>
<th>SAR</th>
<th>CONTRIBUTIONS (USD MILLIONS)</th>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>172.7</td>
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<td>15.1</td>
<td></td>
<td>0.4</td>
<td>10.0</td>
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<td>123.3</td>
</tr>
<tr>
<td>FINC</td>
<td>46.4</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td>33.2</td>
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<td>17.4</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17.4</td>
</tr>
<tr>
<td>VCFSAS</td>
<td></td>
<td></td>
<td>16.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>16.5</td>
</tr>
</tbody>
</table>
While two FIRST donors (DFID and Netherlands) feel that FIRST should be narrowly focused, other donors (SECO and GIZ) feel FIRST should continue to have a broad scope in order to remain flexible to countries’ evolving needs over time (e.g., cyber-security). This was echoed by the vast majority of interviewed WB and IMF members on the GC and staff, some of whom pointed to the importance of respecting FIRST’s original rationale – to implement FSAP recommendations, which broadly cover financial sector stability and development. Even with the possibility of additional funding for IMF TA in the form of a new trust fund – which could overlap with the kind of support provided by FIRST and reduce its distinctiveness in the area of stability – it is expected that needs and demands will outstrip the resources that might be made available through the IMF.

In our view there continues to be a rationale for FIRST to have a broad scope given the unknown challenges and opportunities that can emerge from evolving global and national contexts. While other sources of support may exist to address similar financial sector reform needs, the needs exceed the available support. There are other programs designed to support sector reforms in the area of financial inclusion such as FISF and Harnessing Innovation for Financial Inclusion (HiFi) (see section 3). Compared to FIRST Phase III funding of USD 85 million and the more than 600 FIRST-funded projects totaling about USD 135 million since inception, the funding available through other programs is relatively small – USD 30.7 million for FISF since 2013 and GBP 43 million over six years for HiFi.

Moreover, the scope of TA needs identified in FSDIP projects and earlier FSDS/FSDP projects indicates that there is considerable unmet demand for support for financial sector development, particularly for work on less “sexy” areas such as legal and regulatory frameworks, financial market infrastructures and capacity building for regulation, supervision and policy development, where there are few other funding sources, particularly for MICs.
There are limited sources of funding to support financial deepening, which is particularly important for MICs. The development of capital markets instruments, collective investment schemes, pensions and life insurance all begin to accelerate as the middle class begins to grow. Without an appropriate legal foundation and regulatory and supervisory capacity, growth will be constrained, and many countries lack the resources to address these issues without TA. FIRST has played an important role in filling this gap. WB and IMF staff emphasized the importance of funding for MICs, noting that there were fewer alternatives to FIRST than for LICs.

In the case of financial stability-related work, where FIRST already has some traction, the advent of the new IMF Trust Fund might be seen as a potential threat. However, the potential capacity of that program is again not likely to be sufficient to address the enormity of needs that exist; furthermore the IMF is of the view that the FSSF and FIRST will play distinct, complementary roles (see sidebar). Finally, one of FIRST’s noted distinguishing characteristics is its flexibility to respond to evolving needs, which gives it an important advantage over other sources.

**The FSSF and FIRST would play distinct, complementary roles**

The FSSF would be aligned with the IMF’s core financial stability mandate. FIRST, as a financial sector development fund closely aligned with the WB’s mandate, would continue to devote 85 percent of its resources to finance WB TA and 15 percent to IMF TA – where the two institutions’ mandates intersect.

FIRST-financed FSDIPs undertaken by the WB or IMF are complementary to FSSRs by the IMF, with the latter serving as a more diagnostic and standardized tool that is based on the three FSAP pillars but that does not duplicate or substitute for the FSAP.

**Finding 14: The limited number of FSAPs, combined with FIRST budget caps on diagnostic work that can be done in projects and programs, adversely affects the availability of diagnostic information to inform country financial sector reforms.**

One of the initial reasons for the establishment of FIRST was to respond to the recommendations of FSAPs. The priority in the FSAP on G-20 and other designated financial systems means that many countries that would benefit from the detailed diagnostic reviews undertaken as part of the process may wait many years for an FSAP. The current prioritization of larger and more systemic financial sectors for FSAPs contrasts with the early 2000s when there was a greater focus on LICs. As a result, there are a number of smaller jurisdictions that have never had an FSAP; in addition, many LICs and MICs that were included in one of the original FSAP cycles have not had an FSAP update in 10 or more years.

The FIRST design imposes a limit on the diagnostic work that can be done in projects and programs, which can be a constraint in providing support for development strategies. While in some countries without recent FSAPs there may be an appropriate body of previous TA reports to provide the necessary diagnostic foundation, in other instances there will be a need for more extensive diagnostics. In FSDS/FSDP and FSDIP projects this constraint has been commonly dealt with by identifying the need for a baseline study as an initial action plan item in a particular area such as financial literacy. While a reasonable work-around, this means that the action plan items are often not as detailed as would be desirable, since developing a more detailed set of actions is deferred until completion of the diagnostic work. This in turn may affect implementation, as in most cases completion of the diagnostic work will be dependent on finding development partners prepared to fund the necessary TA. To address this need, it will be important for the WB and the IMF to work together to a stronger, more systematic diagnostic approach prior to a potential Phase IV.
The absence of an FSAP does not mean that country authorities would not benefit from a detailed financial sector review, and in many cases, particularly in smaller jurisdictions, both the WB and IMF have proposed a coordinated TA program in lieu of an FSAP. This led to the establishment of the earlier FSDS/FSDP programs as well as the FSDIP, a tool to provide the diagnostic and analytic foundation for targeted TA interventions. To date, only a few FSDIPs have taken place (see Section 4.3).

In our view, FIRST can continue to play an important role in supporting the financial sector TA needs of countries that are unlikely to have an FSAP over a reasonable time horizon, as well as in countries that are addressing FSAP recommendations.

However, to ensure ongoing relevance of catalytic projects, it is important that FIRST support be aligned with broader country priorities and strategies. Experience with FSDP/FSDS projects shows that in many cases the pre-existing level of planning and coordination for financial sector development is inadequate, often resulting in multiple development partners supporting work that is not well integrated or sequenced. FIRST can play a crucial role in supporting an appropriate and broad-based planning and coordination process within the recipient country. The proposed new IMF Trust Fund should be viewed as a complement to, and not a replacement for, FIRST funding. While IMF work will play an important role in putting the necessary prerequisites in place to expand financial sector outreach, an FSDIP or FSDS/FSDP project is likely to have a more explicit focus on inclusion and development.

Review of FSDS/FSDP and FSDIP projects indicates that a key prerequisite is strong buy-in by the authorities and one or more highly placed champions to lead the process within the country. This level of commitment can take the form of cabinet-level support or the creation of a high-level steering committee with appropriate technical support.

Finding 15: There is mixed understanding and value placed by stakeholders on the need for a FIRST brand.

The TOR for this evaluation included two questions about the FIRST brand: how FIRST is perceived by its stakeholders and what could be done to strengthen its brand identity. Since interviewed stakeholders do not share a common understanding of brand, the evaluation team used the definition in the sidebar for the purpose of this analysis.

As noted earlier, FIRST was originally created to support countries in responding to FSAP recommendations and its founding donors expected this would create a distinct identify or brand that would set FIRST apart from other sources of financial sector support. Over time, the context changed, most notably following the global financial crisis when it was decided that FSAPs would focus on systemically important financial sectors. With that, one of the distinguishing characteristics of FIRST effectively disappeared. Over time, a few donors have expressed continued interest in the FIRST identity/
Brand. The subject of FIRST’s brand has been mentioned in FIRST GC minutes several times, most recently in June 2016 when GC members expressed significant reservations about the impacts of some Bank changes to branding protocols. According to GC meeting minutes, 37 GC members felt that the change, which was intended to establish a consistent brand across all of the Bank’s varying partnership structures, would dilute the FIRST brand and diminish the partnership structure that had sustained FIRST for 15 years.

When questioned about what was distinct if anything about FIRST, respondents identified several characteristics that focused on the FIRST funding mechanism (see sidebar). In addition, surveyed clients noted that the availability and experience of consultants, and their active and close engagement with clients, were very helpful. A few persons felt that FIRST could or should have distinguishing characteristics that went beyond the funding mechanism, to reflect its roles as a credible source of financial sector reform support, expertise or knowledge. However, since FIRST depends on its implementing partners for service delivery, it would appear that any distinct characteristics related to the credibility and quality of such support or client satisfaction would be more attributable to FIRST implementing partners than to FIRST.

Finally, persons interviewed had mixed opinions on the need for FIRST to have a brand. Interviewed WB and IMF staff feel that a FIRST brand is important to existing/potential donors wanting to be acknowledged for their support, and helps strengthen FIRST’s financial viability. Interestingly, however, a couple of interviewed FIRST donors placed modest or no value on the need for FIRST to have a brand.

In conclusion, despite the concerns raised at the June 2016 GC meeting, the notion of a FIRST brand is not high on the priority list of FIRST stakeholders. There are other, more important matters that deserve FIRST stakeholders’ attention. These include maintaining the flexibility of FIRST funding relative to alternative sources, increasing support for diagnostic work, continuing availability for legal and regulatory reform, and capacity building for regulation, supervision and policy development.

### 5.3 Effectiveness of the Initiative

This section has several purposes. It examines the overall developmental performance of FIRST. It then evaluates FIRST performance in meeting the operational targets at December 2016; it reviews the status of the recommendations in the 2013 external evaluation as well as the actions of the 2015 CG meeting. It also examines FIRST performance in meeting the developmental objectives in the results framework.

37 FIRST, 2016, p. 6
Finding 16: While there is ample evidence that FIRST projects and programs are producing a broad range of outputs for FIRST clients, having positive outcomes, and resulting in some catalytic effects, it is not possible to assess the overall performance of the Initiative given the absence of an approved results framework.

To date, there is no results framework for the FIRST Initiative to provide a common basis to evaluate FIRST’s developmental performance (see Finding 26: The WB, IMF, DFID and the Government of Netherlands developed their own results frameworks which they use to monitor FIRST’s developmental performance. Given the lack of cumulative information on the performance of the Initiative to date, the evaluation team relied on an updated report provided by FIRST on 13 March 2017 which indicates that FIRST projects and programs have supported a broad range of outcomes (Exhibit 5.2). While interesting, this does not inform interested stakeholders about how these results compare to what was planned, the reasons for any variances between planned/actual results, or any key trends of lessons learned.

Exhibit 5.3 Phase III Key Outcomes Achieved, as of December 2016

<table>
<thead>
<tr>
<th>RESULTS INDICATOR</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17 (Q1+Q2)</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Banking</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laws, regulations enacted</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Strategies/action plans/roadmaps/policy plans approved</td>
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<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Strengthened supervisory frameworks, manuals, tools adopted</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
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<td><strong>Capital Markets</strong></td>
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<td>Laws, regulations enacted</td>
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<td>4</td>
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<td>New or improved infrastructure established</td>
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<td>2</td>
</tr>
<tr>
<td>Strategies/action plans/roadmaps/policy plans approved</td>
<td>2</td>
<td>2</td>
<td></td>
<td>3</td>
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<tr>
<td>Strengthened debt issuance practice adopted</td>
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<td>1</td>
<td></td>
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<td><strong>Insurance</strong></td>
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<td>Laws, regulations enacted</td>
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<td>2</td>
<td>3</td>
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<tr>
<td>New or improved financial products introduced</td>
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<td>4</td>
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<tr>
<td>Strategies/action plans/roadmaps/policy plans approved</td>
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<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Strengthened supervisory frameworks, manuals, tools adopted</td>
<td>1</td>
<td>3</td>
<td>4</td>
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<tr>
<td>New or improved financial products introduced</td>
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<td>0</td>
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38 FIRST PMU correspondence (March 2017)
# Results Indicator

<table>
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<tr>
<th>RESULT INDICATOR</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17 (Q1+Q2)</th>
<th>TOTAL</th>
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<td>1</td>
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<tr>
<td>Strengthened manuals, tools, methodologies for deposit insurance system adopted</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Strengthened resolution framework adopted</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>3</td>
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<tr>
<td><strong>Payments</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International standards/principles adopted</td>
<td>3</td>
<td>0</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Laws, regulations enacted</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>New or improved infrastructure established</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Strategies/action plans/roadmaps/policy plans approved</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td></td>
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<tr>
<td>Strengthened oversight frameworks adopted</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td></td>
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<tr>
<td><strong>Secured Transactions</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collateral registries established/modernized</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Laws, regulations enacted</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>New or improved financial products introduced</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Microfinance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Strengthened supervisory frameworks, manuals, tools adopted</td>
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<td>0</td>
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<td></td>
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<tr>
<td>Housing Finance</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Laws, regulations enacted</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>New or improved financial products introduced</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Strategies/action plans/roadmaps/policy plans approved</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>FS Development Strategy</strong></td>
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</tr>
<tr>
<td>Strategies/action plans/roadmaps/policy plans approved</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>Catalytic Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of funding catalyzed (USD million)</td>
<td>150</td>
<td>14</td>
<td>480</td>
<td>644</td>
</tr>
</tbody>
</table>
Finding 17: FIRST has been generally effective in meeting its operational targets.

The FIRST Phase III established a list of operational targets to measure operational efficiencies of FIRST over time. The original list of targets found in the 2012 strategy has been revised regularly over time with GC input to reflect evolving FIRST priorities and targets. The PMU reports on the status of FIRST operational targets on a quarterly basis to the GC.

A review of the most recent report from December 2016 (see Appendix VI) indicated that a number of the operational targets have been met or exceeded. Notable accomplishments include:

- 31 percent of projects in the Catalytic Window and 50 percent in Programmatic Window expected to contribute to financial inclusion; target was 20 percent
- An average of three catalytic projects approved per month and three programs per year, in line with the operational target
- Cumulative commitment to Africa was 53 percent; target was 50 percent
- Catalytic effects in over half of FIRST completed projects; target was 33 percent.

Exceptions include:

- 54 percent of approved project/programs linked to FSAPs/ROSCs; target was 66 percent
- Four lesson learned notes published to date; target was at least 10 per year
- Cumulative commitment to LICs was 62 percent, just below the target of 67 percent.

Please see Section 5.6 for further analysis and discussion of operational targets.

Finding 18: FIRST responded to Phase II evaluation recommendations deemed relevant by the GC, although the evaluation team considers the other recommendations are still relevant. FIRST has responded to or is working on addressing the action items of the 2015 Rabat Consultative Group meeting.

The final evaluation of FIRST Phase II included nine recommendations; GC agreed with and/or has taken action on six of these and disagreed with three. The evaluation team considers two recommendations as still relevant (see sidebar). These are addressed in other parts of this report. The status of recommendations is presented in Appendix VIII.

The majority of the 2015 CG meeting action items have been or are being addressed by FIRST, as shown in Appendix IX. The only exception is the action that relates to increased collaboration between FIRST and the Standard Setting Bodies (SSBs). To date, FIRST reports that there have been limited opportunities for such collaboration to take place in cost-effective ways. However, in our view, focusing the action on FIRST rather than its implementing partners appears misplaced. FIRST itself has limited technical capacity and there is little likelihood that the Basel Committee or the International Association of Insurance Supervisors, for example, would solicit or even welcome direct input from FIRST into standard setting activities. The Bank and the IMF, whose perspectives are informed by FIRST-funded projects, do have

Phase II Evaluation Recommendations of continued relevance
7. FIRST information management systems (see section 5.4)
8. FIRST project approval process (see section 4.5)
direct input into the activities of various international standard setting bodies. Meaningful interaction with standard setting bodies by FIRST would have to be based on carefully selected and narrowly focused topics where there may be specific standards-relevant learning to be distilled from FIRST projects and programs, with this input delivered through the Bank or the IMF given that FIRST is unlikely to have direct access to the standard setters.

### 5.4 Efficiency of the Initiative

**Finding 19:** FIRST management costs are reasonable, given the heavy emphasis on project and program monitoring and evaluation.

The Phase III budget and actual expenditures for the PMU to date are provided in Exhibit 5.3. During Phase III, the average annual cost of the PMU was approximately USD 2.27 million per year, slightly below what was budgeted; this represents approximately 16 percent of the value of FIRST project and program approvals to date, and 25 percent of total FIRST disbursements to date. As shown in Appendix XI, this falls in the mid-range of the administrative costs incurred by reviewed WB Trust Funds (ESMAP, InfoDev, FIAS).

#### Exhibit 5.4 PMU Planned/Actual/Projected Expenditures by Fiscal Year 2013-2020 (USD Millions)

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>PLANNED</th>
<th>ACTUAL</th>
<th>PROJECTED</th>
<th>ACTUAL + PROJECTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.35</td>
<td>.86</td>
<td></td>
<td>.86</td>
</tr>
<tr>
<td>2014</td>
<td>2.7</td>
<td>2.29</td>
<td></td>
<td>2.29</td>
</tr>
<tr>
<td>2015</td>
<td>2.8</td>
<td>2.64</td>
<td></td>
<td>2.64</td>
</tr>
<tr>
<td>2016</td>
<td>2.7</td>
<td>2.59</td>
<td></td>
<td>2.59</td>
</tr>
<tr>
<td>2017</td>
<td>2.55</td>
<td>1.18</td>
<td>1.37</td>
<td>2.55</td>
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<tr>
<td>2018</td>
<td>2.8</td>
<td>2.8</td>
<td></td>
<td>2.8</td>
</tr>
<tr>
<td>2019</td>
<td>2.65</td>
<td>2.65</td>
<td></td>
<td>2.65</td>
</tr>
<tr>
<td>2020</td>
<td>2.3</td>
<td>2.3</td>
<td></td>
<td>2.3</td>
</tr>
<tr>
<td><strong>Total PMU Costs</strong></td>
<td></td>
<td>9.56</td>
<td>9.12</td>
<td>18.68</td>
</tr>
<tr>
<td><strong>Total Project and Program Commitments</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>USD 59.9</strong></td>
</tr>
</tbody>
</table>

The FIRST PMU budget includes fixed and variable costs. The greatest expense relates to staff and indirect office costs (rent, IT, supplies), which are managed as a fixed cost for the duration of the Initiative and together represent approximately 90 percent of actual PMU costs per year. Of this, PMU staff costs have

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39 For 6 months from January-June 30, 2013
40 Includes the cost of a CG meeting
41 For 6 months ending 31 December 2016; excludes the cost of evaluation
42 For 18 months until 31 December 2021
been approximately USD 2 million per year since 2014. Remaining budget items include travel, GC and CG meeting costs, and knowledge management related costs (e.g., website, publishing). It excludes the costs of periodic external evaluations.

In analyzing PMU expenditures, it is important to note the following:

- Unlike most other WB Trust Fund programs known to the evaluation team, the PMU budget includes dedicated resources to support results-based management throughout and following completion of project and program cycles. This investment has enabled FIRST to report on outputs and outcomes to date.

- To date, PMU staff are fully funded by the PMU budget. They do not charge projects for their time, even if they are filling the role of a co-TTL on a FIRST project or program, which inadvertently inflates the cost of FIRST administration. PMU management reports that projects are not charged because they are fully funded by the PMU budget and because of the WB staff cap of 34 percent. It is reported that this will change in any future phases, once the WB staff cap is lifted. Information provided by the PMU in April 2017 (see Appendix XI), indicates that the cost of PMU support to date would fall from 16 percent to 11 percent if adjusted for time spent by TTLs on FIRST projects and programs.

- The total cost of the PMU for FIRST Phase III between 2013 and 2020 was originally expected to be approximately USD 19.1 million; due to savings over time, it is now estimated to be USD 18.68 million, which represents approximately 19 percent of total projected Phase III project/program expenditures. This projection assumes that the current contingent of PMU staff will remain in place to administer, monitor, track and report on Phase III projects and programs until they are complete in 2019. This assumes that the PMU will close Phase III (without a successor Phase IV) with reduced staff (2-3 staff with support from Bank core operations staff) in 2020 to close the Initiative and manage the program-end evaluation.

- Should there be a Phase IV of the FIRST Initiative, some Phase III PMU costs will be re-allocated to the new phase. The GC agreed to this conservative approach in 2016 to ensure PMU staff during the transition and prevent the PMU staff turnover that followed Phase II due to the absence of a bridging provision for PMU staff during what became a protracted Phase III design and approval process.

- The FIRST design includes a separate budget line to cover total WB overheads until 31 December 2015 (USD 2.1 million). This is not reflected in the previous analysis.

A 2010 WB evaluation of Global and Partnership Programs noted significant variations in administrative costs (from 3.2 to 65 percent), which reflected considerable variation in reporting practices used by such programs. At the time of writing, the evaluation team is not aware of more recent analysis. In our view, the costs of the PMU are reasonable, particularly when accounting for the time and value-added associated with the results planning and tracking at the project and program levels. Should FIRST

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43 At its meeting in June 2016 in the Netherlands, the GC approved extending end-implementation for catalytic windows to December 2019 and for programmatic windows to December 2020.

44 The $2.1M is the total overhead for the pre-FY16 contributions. After 1 January 2016, this amount will go up slightly only because there is a 5 percent fee for transfers to the IMF (5 percent of their 15 percent share of new donor contributions). Indirect costs are borne by the projects and the PMU budget.

stakeholders be successful in expediting the design of a subsequent phase, this could reduce the effective cost of administering Phase III.

Finding 20: While the costs of FIRST management are reasonable, the Initiative has several inefficient processes of concern to GC members and FIRST implementing partners alike.

FIRST is in its third phase of operations, which means it has had time to develop, test and fine-tune its management and governance practices. Moreover, the relatively modest rate of PMU staff turnover during Phase III means that the Initiative now has an experienced, knowledgeable team in place.

While FIRST has many well-established practices in place, interviewed FIRST stakeholders identified concerns about the efficiency of the Initiative, including the following.

- The FIRST funding model, which compartmentalizes donor funds into six distinct windows/trust funds, reduces FIRST flexibility and increases administrative work associated with the Initiative. This concern was noted repeatedly by interviewed FIRST donors, Bank and IMF staff who also indicated that two windows dedicated to donor contributions for LICs and MICs would be more appropriate and sufficient in the future. In December 2016, the GC tasked the PMU with investigating whether there are any legal or other requirements that would prevent such streamlining.

- FIRST project and program review and approval processes are longer and more intensive than in earlier phases (e.g., the catalytic process has increased from 4 to 6 months since Phase II). This was of concern to interviewed IMF and Bank staff and GC members. At their meeting in December 2016, the GC agreed to several PMU suggestions to streamline the processes, which should have a positive effect on PMU efficiency.

- In the absence of a common agreed-to results framework and reporting format, the PMU currently produces three reports in different formats: an annual FIRST report and ad hoc reports to two donors.

- While the PMU produces and distributes regular and timely information to GC members on identified priorities (e.g., FIRST Operational Targets, status of CG meeting Action Items), a few stakeholders raised concerns about the calendar time required to finalize and publish other FIRST reports (particularly FIRST Annual Reports and FIRST end of project reports). This feedback creates opportunities for FIRST to discuss the continued need for glossy reports, if that is the main reason for such delays.

- The PMU frequently needs to follow up with TTLs to obtain information missing in GRM reports. It also spends time following up with FIRST clients who do not respond to surveys.

The PMU appears to lack a document management system to support effective monitoring. For example, during the review of projects and programs the evaluation team identified a number of instances where all the expected deliverables had not been provided to the evaluation team. In some cases additional documents were provided after follow-up with the PMU, and in other cases as noted above, it appeared that there were undocumented changes in the deliverables from those approved at inception,

\[\text{As noted in Section 1.2, the Bank’s systems, the Portal and the TF system (including GRM) do not require or provide opportunity to document changes to a project during the course of implementation with the exception of the end-deliverable date or trust-fund end-date.}\]
of the expected deliverables were not available for review. Monitoring would be enhanced by a systematic approach to managing the documents for each project and program so that all relevant materials are readily available on demand. This could help in tracking progress towards project completion versus disbursements, and ensuring final deliverables are aligned with original approvals, or revisions that were formally approved as the project progressed.

While not a factor that can be controlled, the regular turnover in GC representatives during Phase III places demands on PMU staff time, as they respond to GC member queries and support needs.

As noted above, FIRST stakeholders are already taking actions to address some of the most significant noted shortcomings, particularly related to window management and the duration of FIRST review and approval processes. We encourage the PMU to review the other observations to assess if and how efficiency can be improved.

**Finding 21: GC members engage actively in FIRST operational activities at some cost to FIRST’s strategic management.**

The GC mandate as defined in the FIRST Charter (2013) includes strategic as well as operational responsibilities (see sidebar). Interviews with FIRST GC members and a review of GC minutes suggest that GC members spend considerably more time on operational matters than on strategic matters. The GC members have not conceptualized or used a basis for monitoring the overall performance of the Initiative, and rather have focused on the monitoring of individual projects and programs. A couple of GC members also noted that the GC could be more actively engaged in generating new sources of financial support for FIRST.

The amount of time spent by GC members on operational matters is likely due to various factors. One is that the FIRST Charter (2013) gives the GC responsibility for approving FIRST projects/programs. This is time consuming for GC members and is more hands-on than some other trust fund programs where the implementing partners have wider discretion within the program parameters; some Trust Funds instead give donors the opportunity to object within a certain agreed to timeframe. The regular turnover in GC representatives may impede GC discussions of strategic matters, as it may take some time for them to get up to speed. Finally, the nature of FIRST reports, particularly the Operational Tracker, may inadvertently reinforce their focus on operations.

In our view, FIRST stakeholders should review and revise the responsibilities of the GC as part of the planning for Phase IV with a view to making them more strategic and less operational.
Finding 22: The role played by the PMU Secretariat in supporting FIRST project/program design and approval is appreciated. There are some concerns about the roles of the PMU and TTLs/IMF staff during and after project/program implementation.

The WB administers FIRST’s day-to-day operations through the Secretariat, as described in the 2013 Charter. As noted in Section 4.5, interviewed WB and IMF staff indicated that PMU staff are playing a helpful role during the project review, approval, coordination and monitoring processes. The concerns raised to date relate to differences in how PMU officers act vis-à-vis requests: some officers are viewed as very supportive, providing necessary and timely feedback to help facilitate moving the project/program through the system, while others are perceived as less responsive and focusing on compliance, rather than constructive feedback to support the review process. Another concern raised by GC members relates to the dual reporting responsibilities of PMU staff who report to the PMU Program Manager and to a regional program or global practice. The fear is that they face potential conflict of interest challenges in managing and resolving the expectations of these different entities when there are issues.

There are some mixed understandings about the roles and responsibilities of the PMU and implementing partners during and after project implementation, including for quality assurance, reporting and follow up. FIRST donors tend to hold the PMU accountable, while the PMU holds the implementing partners accountable.

5.5 Sustainability of the FIRST Initiative

Finding 23: While funding for the duration of Phase III is secured, funding for future phases of FIRST is less certain.

FIRST donors were successful in meeting the financial target for Phase III (just shy of the USD 100 million target to date). However, the GC has not been successful in attracting any new donors during Phase III. Furthermore, while FIRST’s current donors have been very supportive of FIRST’s work, there are relatively few of them; changes in their domestic priorities and resource constraints may have a significant effect on FIRST’s sustainability. A final concern relates to any prolonged pause between the end of Phase III and a future phase; this occurred following Phase II and contributed to significant staff turnover in the PMU and slowed or stopped project funding. Stop-and-go funding scenarios are of significant concern to the GC and are what prompted the 2015 bridge funding drive.

In our view, the greatest risk facing the future of the FIRST Initiative relates to securing funding. At the time of writing, FIRST donors are awaiting results of this evaluation, as well as the outcomes of any key changes in their countries (such as elections, changes in government priorities) and/or the effects of changes in the external global context and priorities before they can make longer-term financial commitments to FIRST. Interviewed FIRST stakeholders noted that in the context of scarce resources, the results of financial sector reform programs are often less immediate, less visible and harder to measure than programs in other sectors such as health or education. As a consequence, it is often harder to attract donors other than the strongly committed.

A related concern is the FSSF, the new IMF fund launched in late 2016. IMF is actively seeking financial support including from FIRST donors. Depending on FIRST donors’ context and priorities, this could effectively reduce the support they provide to FIRST in the future.
These evolving contexts increase the vulnerability of future phases of FIRST, and thus should be a priority for FIRST’s current donors to address.

### 5.6 FIRST Initiative Management Processes

Section 4.5 examined the processes used to manage FIRST projects and programs. This section reviews the processes in place to design, plan, manage and monitor the overall FIRST Initiative.

At the beginning of Phase III, the GC developed and approved a multi-year strategy for the FIRST Initiative. The stated purpose was to enhance FIRST’s effectiveness, relevance and visibility by strengthening three key areas: 1) the Business Model with two operating Windows, 2) the Phase III Monitoring and Evaluation (M&E) Framework, and 3) the Knowledge Management (KM) and dissemination function. The Phase III Strategy outlines previous successes and challenges in these three areas, and defines the approach and changes made in these areas for Phase III (such as the introduction of the Programmatic Window). The Phase III Strategy also clarifies the functional responsibilities and coordination of the various FIRST stakeholders including GC, the PMU, the Project Approval Committee (PAC) and the IMF. The strategy includes a set of Operational Targets that identify FIRST operational priorities.

The following sections analyze key components of the Phase III design that were highlighted in the evaluation TOR: the FIRST Business Model, FIRST Operational Targets, the FIRST M&E system, the FIRST knowledge management and dissemination function, and FIRST’s approach to gender. It also reviews FIRST annual planning systems. The review drew upon documents and interviews with FIRST stakeholders.
**First Business Model**

**Finding 24:** As currently designed, the FIRST business model lacks sufficient congruence with FIRST’s demand-driven principle and it is not evident that the distinction between the Catalytic and Programmatic Windows is necessary.

One key change introduced in 2013 was the addition of the Programmatic Window to the FIRST TA support menu. It was intended to accommodate FIRST client demand for broader and longer term financial sector reform interventions that covered a range of connected financial sector development themes through a well-structured, typically multi-year, reform program. The programmatic window was, among other things, aimed at reducing the transaction costs (to FIRST clients, the PMU and the implementing bodies) associated with many small TA interventions. The programmatic window was also in line with the WBG move to a programmatic approach in providing client solutions. The key characteristics of the Programmatic Window are shown in the sidebar.

The original intent was that the Catalytic Window would be leveraged to build trust and buy-in with clients and the Programmatic Window would work with clients to catalyze and motivate larger scale reform programs.

A review of Phase III experience with the Programmatic Window to date indicates that it is yielding positive benefits for assisted countries that might not have been possible through the Catalytic Window alone. The majority of the characteristics of the Programmatic Window seem appropriate and feasible to address.

Country stakeholders and Bank staff strongly supported the concept of the Programmatic Window. A country with a strong commitment and plan for financial sector reform can effectively use the series of coordinated TA projects possible within a program. This can be administratively much easier for the country to manage than having to coordinate a series of catalytic projects, perhaps supported by multiple development partners with divergent individual agendas, in support of an overarching plan. For countries that have yet to put in place an appropriate domestic structure to oversee financial sector reform, a program, particularly one building from an FSAP or FSDIP, might support putting this structure in place. Bank staff noted the benefits of longer term engagement with country authorities, helping to build and

**Programmatic Window**

The purpose of programs is to support FSAP follow-up or comprehensive sector interventions in the context of country strategies.

**Distinguishing characteristics**

- Funding: USD 1-2 million
- Term: 36 Months
- Modality: linked to country reforms
- Country ownership: demonstrated by minimum contribution (15%)
- Roles: IMF, WB to play a guiding role in program design and formulation; PMU to check eligibility and consistency and play an active role in donor coordination (subsequently, the PMU was assigned a co-TTL role)
- Donor Coordination: input of all relevant parties to be sought at every stage of the process
- M&E: requires robust framework and post-completion follow up
- Selection criteria: demand driven, no other sources of support, can commit credibly to prescribed targets
- Approval process: has distinct steps

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maintain working relationships through the certainty of interaction over the life of a program rather than the sometimes “start and stop” engagement through catalytic projects.

However, interviewed stakeholders identified a number of shortcomings with the current business model:

- There is a vacuum between what can be funded through either window (e.g., projects that are between USD $500K and USD 1 million; and projects that are between 24 and 36 months long).
- The prescribed funding levels and terms are too rigid and prescriptive, and do not provide the flexibility to respond to a client’s specific needs in a demand-driven program.
- Implementing partner staff report that while the Catalytic Window provides less financial support than the Programmatic Window, this is not reflected in the application/proposal requirements which are similar for both types of funding.\(^{47}\)
- While not arguing against the value of targets, the top down approach to aligning activities with the narrow band of prescribed quantitative targets associated with the Programmatic Window is viewed as contrary to FIRST’s demand-driven principle.
- The prescribed targets associated with the Programmatic Window are considered too ambitious for some countries, especially LICs. Some argue that qualitative targets would be more relevant.
- Current status as recorded in the program trackers for Rwanda, Morocco and Guatemala raise questions about the achievability of the targets within the prescribed timeframes.
- The longer duration and increased resources made available through the Programmatic Window are appreciated by interviewed stakeholders. However, the oldest program, which began in January 2014, has exceeded the 36 month term and was granted a 3-month extension.

Shortcomings associated with Programmatic Window target-setting were discussed during the GC meeting in December 2016; GC members decided that FIRST should move towards bottom-up target setting in principle.

In our view, the FIRST business model should reflect FIRST principles more closely: project/program size, duration and targets should be realistic and reflect client needs and objectives, rather than being artificially designed to reflect predetermined criteria. It is not evident that the current distinction between the Catalytic and Programmatic Windows is necessary or helpful.

\(^{47}\) World Bank and IMF staff had different perspectives on the requirements to obtain approval through the Programmatic Window. While some indicated that it was not much more demanding than for a catalytic project, more viewed it considerably more work, and all agreed that there was a perception that obtaining Programmatic approval was burdensome.
FIRST Operational Targets

Finding 25: While FIRST’s operational targets are used in tracking performance, stakeholders have some concerns about the appropriateness and number of targets, and the focus on operational targets contributes to a culture that emphasizes activities rather than results.

The original operational targets in the 2012 Strategy have been revised over time to reflect FIRST’s changing context and priorities, most recently in 2016. At December 2016, the list of FIRST operational targets included 22 items and targets grouped into four areas (see sidebar). The PMU has used the operational targets diligently to review, track and report on FIRST’s operational performance to the GC on a quarterly basis.

A review of FIRST operational targets at December 2016 indicates that:

- Several of the targets contradict FIRST’s demand-driven principle (e.g., targets associated with FIRST Regional focus, financial inclusion.)
- As currently articulated, several of the targets do not clearly convey or guarantee the intent (e.g., the target that 10 percent of the budget will be allocated to local consultants may not realize the stated intent of capacity building to local institutions).

In our view, the current Operational Targets list is very activity-based and process-oriented and while it may provide a checklist for the PMU in managing FIRST, it does not reflect FIRST’s commitment to embracing results-based management. The practice of providing GC members with regular status updates through Operational Reports is good but does not provide GC members with updates on strategic matters (e.g., notable changes in the FIRST operating environment, notable opportunities, successes or risks). In the absence of other more results-oriented or strategic updates, the Operational Reports may be inadvertently contributing to a process-oriented rather than a results-oriented culture within FIRST.

A final consideration relates to the fact that the operational targets can only be revised by the GC, which may inadvertently get GC members involved in micromanagement issues. In our view, the PMU should have greater flexibility to adapt management practices and operational targets as required to accommodate changing circumstances. In designing any future phase of FIRST, we suggest that the PMU and the GC members review the need for and role of operational targets in management and reporting practices. In addition, GC members should clarify their reporting priorities and requirements vis-à-vis results and other strategic information to the PMU.
FIRST M&E Systems

Finding 26: The design of Phase III has a strong emphasis on results at the project and program levels but pays limited attention to the overall results and performance of the FIRST Initiative.

The Phase III strategy put considerable emphasis on results and on monitoring and evaluation (M&E) systems in an effort to respond to shortcomings noted in the Phase II evaluation. In addition, an M&E officer position was added to the PMU to strengthen its capacities in M&E.

M&E of FIRST Projects and Programs

As discussed in Section 4.5, significant attention has been paid to planning, managing and monitoring results achievement of individual FIRST projects and programs.

Results Framework for the FIRST Initiative

As noted earlier in this report, GC members never agreed to a results framework for the Initiative as a whole, which means that there is no common basis for monitoring or assessing the developmental performance of FIRST. Donors interviewed for this evaluation indicated that they really do not know how well FIRST is performing from a developmental perspective, and if it is making a difference; they would like to know more. While the PMU provides considerable information on the outputs and outcomes of individual FIRST projects and programs, donors reported that they have a fragmented rather than holistic understanding of FIRST’s overall developmental performance.

Interviewed stakeholders raised several questions about how to develop a results framework for the Initiative that is realistic and meaningful given the FIRST business model which supports a large number of discrete project/program activities. They also wonder how to address donors’ emphasis on the need for quantitative as well as qualitative indicators and how to establish targets in a demand-driven program.

The current set of outcomes reflects the challenges in identifying observable targets that can be attributed to FIRST projects and programs while recognizing that in most cases achieving outcomes is not within FIRST’s direct influence. While its implementing partners may deliver outstanding TA, if there is no parliamentary support for needed legal reforms, the expected outcomes will not be achieved. Nevertheless, it would be appropriate to include more specific outcomes, as is done in the results chain in the approval of individual programs and projects. While in some sense these may be aspirational for FIRST overall, there would be benefits to including outcomes that would help to document the performance of FIRST overall.

At this point, it does not make much sense for stakeholders to develop a results chain and framework for Phase III. Stakeholders should instead reflect on what a results chain and framework for a potential Phase IV might look like. This is discussed in detail in the recommendations in Section 6.2.

Reporting on Results

FIRST produces quarterly reports on its Operational Targets; these reports are comprehensive and timely, but as noted earlier, tend to emphasize activities rather than results or outcomes.
Reviewed FIRST Annual Reports and ad hoc reports to DFID and the Netherlands (i.e., at their request) provide information on outputs and outcomes of individual FIRST projects, and summarize catalytic effects in the period. Despite the absence of indicators and targets, the evaluation team attempted to analyze the performance of the overall Initiative using the FIRST Results Chain shown in Section 2.1.5; however, this proved difficult as FIRST Annual Reports do not use that results chain for reporting purposes. Indeed, each of FIRST’s Annual Reports between 2013-2016 use different reporting structures and they do not provide cumulative information on FIRST Initiative performance to date.

FIRST Annual Reports report on cumulative approvals by sector, region, window, LIC/MIC by year. They also quantify outcomes to date, describe accomplishments of individual projects/programs within the year, and provide some interesting stories about individual projects/programs. Reviewing these stories suggests that FIRST support is contributing to some important achievements around the world. Collecting this information is no small feat after a project is completed, and credit must be given to the PMU and responsible TTLs. The reports also include descriptions of activities undertaken during the period related to other FIRST priorities, such as gender and knowledge management.

While such reports include a wealth of information at the project/program level, they pay insufficient attention to the implementation challenges experienced during the period. As in any similar initiative, some FIRST projects/programs will not unfold as hoped or planned, there will be disappointments and lessons learned. However, such information is not readily found in FIRST Annual Reports.

The absence of a common results framework makes it difficult for stakeholders to assess the overall performance of the FIRST Initiative. There is no agreed to basis to compare intended to actual results or to assess if and how individual accomplishments “add up”. This in turn limits the collection and analysis of information about areas where the Initiative is (or is not) working well, explain variances between planned and actual results, and identify key lessons learned, areas for improvement, and implications for future priorities. Reviewed reports provide limited information or insights on how FIRST supported initiatives could do better. As noted above, interviewed GC members said that such reports do not help them know “how FIRST is doing” at the level of the overall Initiative.

In our view, the absence of an approved results framework is an important shortcoming of Phase III. If FIRST stakeholders plan a fourth phase, they will need to address this gap. In addition, it would be worthwhile for FIRST to include a formal post-review of projects 18 months or longer after completion, as outcomes and impacts in financial sector development are generally not observable over shorter time horizons.

**Evaluation**

A final observation relates to the foci of FIRST evaluations. While the TOR of the Phase III evaluation included some questions related to FIRST design and operations, it did not place an explicit focus on the overall performance of the Initiative. The Phase II external evaluation also focused on FIRST operations and the results of individual projects, without explicit attention to the performance of the overall FIRST Initiative. This is likely due to the fact that it does not have a results framework for the overall Initiative.

Given that it takes time for projects and programs to achieve outcomes and demonstrate impact, the terms of reference for future external evaluations should permit reviews of FIRST’s cumulative support.

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48 For example, while most Annual Reports included performance stories in different countries, only the 2016 report categorized achievements according to the results areas found in the results chain (i.e., financial inclusion, stability, depth and efficiency) (albeit for the year 2016 only). Previous Annual Reports used different reporting structures (e.g., grouping results by region).
Knowledge Management

Finding 27: The Knowledge Management Action Plan is premised on the mistaken view that FIRST itself creates and is a repository of intellectual property.

Knowledge management has been a priority in FIRST for some time. It is identified as an area of focus in FIRST's charter (see sidebar). It is also highlighted as a priority in the 2012 Phase III strategy, in recognition that FIRST had not been extracting and sharing lessons learned effectively in previous phases, and that FIRST was not well-known in the broader development community.

The 2012 strategy indicated that FIRST should achieve stronger visibility in the development community as an effective partner to support financial sector reform and should have more active engagement in the relevant policy dialogue and financial reform fora. It identified various distinguishing characteristics for the Initiative’s role in financial sector reform (see sidebar).

It noted that to realize this, FIRST would need a well-designed outreach and knowledge generation program that consisted of best practice notes, evidence-based research, leverage high visibility flagship events and publications and organize bi-annual consultative group meetings with clients, experts and policy makers to provide feedback and gather new perspectives on specific areas of TA intervention in financial sector reform.

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49 FIRST Phase III Strategy (FIRST, 2012) p. 8
50 ibid pp. 8-9
In response, FIRST’s GC approved a Knowledge Management Action Plan in December 2014 that identified two broad missions:

- **Client oriented mission**: knowledge generation and dissemination through which FIRST’s position and brand is strengthened in the area of financial sector development. This was to be addressed through the establishment of a lessons learned series, the promotion of best practices and international standards, the preparation of impact stories, the conduct of CG meetings and the development of a new website.

- **Operations oriented mission**: improving reporting quality, timeliness, and adequacy and maintaining a good repository of project documentation. This was to be addressed through the publication of Annual Reports, quarterly operational reports, and a reliable project data base.

The action plan also identified several targets as noted in the sidebar. It assumed a budget of USD 873K, with the largest allocations earmarked for best practice research on public credit guarantee schemes (CGS) in 2015 (USD 350K) (see sidebar below), lessons learned papers (USD 180K), two Consultative Group Meetings (USD 140K each) and a new FIRST website (USD 140K).

### Knowledge Management Action Plan Targets

- Website has necessary functionalities
- Lessons are gathered systematically; at least 10 best practice notes per year published and disseminated through flagship events, website
- Donors receive adequate reporting in frequency, coverage, quality
- Consultative Group Meeting is organized once every 2 years
- Client surveys are conducted routinely.

#### Public Credit Guarantee Schemes

FIRST received a request to join the WB in developing a new global knowledge product. The objective was to convene a consultative process to formulate a set of best practices in the emerging area of public credit guarantee schemes. FIRST was to act as a coordinating member of the Task Force and the Secretariat that produced the principles/best practices in line with the G20 initiative on SME lending. It was envisioned that the outputs and results would further the objectives of financial sector policy dialogue and knowledge management in the Phase III strategy. FIRST Knowledge Management Plan (FY15-19) (FIRST, 2014)

In December 2015, after an extensive task force and public consultation, *The Principles for Public Credit Guarantee Schemes for SMEs* was finalized and endorsed by all of the regional associations for public credit guarantee schemes. In 2016, the Task Force conducted a worldwide survey on baseline compliance with the Principles to identify common challenges and gaps. The findings 68 CGS providers were published in a WB Working Paper in 2016. The final phase of the CGS global product is a framework for assessing additionality (economic and financial) currently under Task Force preparation.

The CGS as well as an initiative by the IMF to establish Principles for Centralized Securities Depositories (approved after the June 2016 evaluation cutoff) are a continuation of FIRST’s support for preparation of global public goods that started in Phase II.

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While the Charter and Phase III strategy identified a strategic role for FIRST in financial sector reform, this is not prominent in the 2014 Knowledge Management Action Plan. For example:

- While the Phase III Strategy suggests that FIRST will have a role in feeding the global debate on financial reform, there are few activities aligned with this aspiration in the action plan – with the notable exception of the proposed work related to public credit guarantee schemes. Even this, however, leverages WB expertise; FIRST itself has limited technical expertise.

- The lessons learned series includes one, How to Make Financial Sector Development Strategies Work, that can be considered unique to FIRST. Others, such as WB Crisis Simulation Exercises, and Developing a Financial Inclusion Strategy, draw on experience with FIRST-funded projects and WB expertise more broadly. Considering the limited scope for lessons/results that can be uniquely attributed to FIRST and the lack of performance information on FIRST projects/programs, the planned publication of 10 best practice notes per year was overambitious from the outset.

- The targets in the action plan (and used in quarterly reports to donors) do not reflect the stated expectations about FIRST’s visibility in the development community regarding financial sector reform found in the Phase III strategy. Most of the identified targets pertain to planned FIRST actions and activities (e.g., establish a website, report regularly, conduct CG meetings, gather lessons, carry out surveys).

Consultations with GC members and the PMU suggest that there may be different understandings about the FIRST role described related to standard setting bodies (SSBs) (see sidebar). Some GC members have raised questions about the appropriateness of FIRST itself, rather than FIRST implementing partners, being tasked with achieving stronger visibility in the development community as an effective partner to support financial sector reform and should have more active engagement in the relevant policy dialogue and financial reform fora. They argue that both the WB and IMF are already engaged in such activities, and that FIRST itself lacks the expertise and standing to actively engage with standard-setting bodies. It is not evident that there is a need for FIRST to play a role distinct from these better known implementing partners. The PMU notes, however, that FIRST’s role is intermediated by the implementing bodies with the SSBs, and that FIRST can leverage those relationships to help broaden the support for countries’ needs.

Considering the generally low importance ascribed by most stakeholders to the FIRST brand, and the issues noted above with respect to knowledge management, our view is that the GC should consider a much more narrowly focused set of knowledge management objectives that is better aligned with the delivery model. The knowledge management outputs could be better focused on the strengths of the FIRST model, provide enhanced reporting to donors and other stakeholders on success stories, and would inform GC meetings.

To the extent that additional topics can be identified where there may be unique lessons learned from FIRST projects or programs – possibly the FSDIP as a partial substitute for the in-depth review of an FSAP – it would be appropriate to plan and complete lessons learned notes. It would also be appropriate to support preparation of a modest number of best practice notes, leveraging WB and IMF expertise and drawing on multiple FIRST-funded projects for examples. Input from the relevant technical experts in the
WB and IMF should be sought to identify suitable topics. Additionally, FIRST could prepare and disseminate a number of project or program-specific case studies, particularly to illustrate some of the distinct features of FIRST. These could include focusing on the demand-driven aspect, and potentially the gap-filling and flexible nature of the funding by selecting projects that had sought but failed to obtain funding elsewhere.

**Gender**

**Finding 28:** FIRST is in the process of developing an approach to mainstreaming gender in financial inclusion projects. While the approach is reasonable, it is premature to assess the effectiveness and results of this approach.

The FIRST strategies for Phases I, II and III did not include a specific focus on gender. In 2015, however, one FIRST donor (DFiD)\(^52\) asked FIRST to demonstrate how it intended to mainstream gender issues in technical assistance interventions. In parallel to this, the WB Group’s Gender Cross Cutting Solution Area was reviewing and updating the WBG’s gender strategy.

In December 2015, the PMU, in association with key stakeholders in the WBG (particularly the Finance and Markets Global Practice) and the IMF, presented a proposal to the GC for a two-phase strategy to mainstream gender in FIRST operations, intended to span Phases III and IV. In addition, it proposed that for FIRST Phase III, a PMU officer be identified as a gender focal point for relevant TA requests; and a tracking system be established to collect insights, lessons learned and track progress on the gender strategy. Finally, it was proposed that FIRST Annual Reports and the mid-term evaluation would address FIRST success related to this area. The GC approved the proposal.

A review of the proposal, as well as interviews with selected stakeholders including DFiD, indicates that the portion of the proposal that focused on Phase III was generally reasonable. It recognized the challenges associated with development interventions that are generally considered gender neutral since their focus is systemic and macro in scope (e.g., interventions related to stability and capital markets). The proposal suggested that FIRST confine its support to areas where there is greater potential for gender specific consideration, in themes related to financial inclusion. Second, the proposed approach was practical, focusing on individual projects, rather than a more theoretical approach. The proposal assumed gender would be mainstreamed within existing project budgets, and warned against specific gender-

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\(^52\) DFiD’s action was in response to a 2014 Act passed by the UK government that places duty on a government to consider ways in which development and humanitarian funding will build gender equity in the countries receiving aid. All other FIRST donors have adopted formal policies on gender.
related targets and attribution of impact on women’s financial inclusion, noting that they would not be
realistic given project budgets. Finally, it acknowledged that activities during Phase III would be modest,
but have the potential to inform future phases of FIRST.

As of December 2016, FIRST reported that since the adoption of the gender mainstreaming approach, it
had approved ten projects and programs that are considered gender relevant and that include gender-
specific analysis and/or targeted activities, such as developing products specifically targeting women or
developing gender disaggregated tracking mechanisms.

In addition, the PMU also notes that four FIRST Programs have the potential to benefit women; these
were approved before the adoption of the new gender approach but may help to create awareness,
collect insights and lessons learned for future projects.

The PMU records show that the following closed catalytic projects, which target underserved populations,
could potentially help women mobilize savings or increase usage of other financial services (loans,
insurance). However, as these projects were approved before the new gender approach, no gender-
specific activities were included or gender disaggregated results collected. At the time of writing, it is
premature to comment on the effectiveness or lessons learned of these initiatives.

**Exhibit 5.5 Catalytic Project Products that Help Increase Women’s Use of Financial Services**

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>PRODUCTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seychelles A026 Secured Lending and Collateral Registry</td>
<td>Access to loans by women-owned businesses</td>
</tr>
<tr>
<td>Djibouti A034 Payment System and Credit Reporting Infrastructure</td>
<td>Access to loans by women-owned businesses</td>
</tr>
<tr>
<td>Djibouti A047 MSME Credit Guarantee Fund</td>
<td>Access to loans by women-owned businesses</td>
</tr>
<tr>
<td>Colombia A006 Housing Finance for Low-Income</td>
<td>Savings through rental housing for poor households</td>
</tr>
<tr>
<td>Paraguay A036 Financial Inclusion Strategy</td>
<td>The Gov. of Paraguay target “increase percentage of population saving from 14% to 30%”</td>
</tr>
<tr>
<td>Indonesia A059 Developing Incremental Housing Finance</td>
<td>Savings through affordable housing for poor households</td>
</tr>
<tr>
<td>Indonesia A058 Constructing Robust Mortgage Market</td>
<td></td>
</tr>
</tbody>
</table>

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53 Examples: Maldives Mobile Money, India Pensions, Sudan Agent Banking, Liberia Mobile Money and Agent Banking


55 Ethiopia Inclusive Insurance, Haiti Access to Financial Services, India MSME Finance, Lesotho Financial Inclusion
IMF

In addition to what is reported above, the IMF reports several related initiatives as summarized below.

IMF has issued a Staff Discussion Note (No 15/17) that examines the macro-financial linkages of financial inclusion in general, as well as gender inclusion in particular. The study finds, among other things, that financial inclusion increases economic growth up to a point, and more specifically that a greater share of women users of financial services contributes to higher economic growth. The study builds on earlier microeconomic and sociological studies which found that financial access by women helps society more generally. A majority of women, especially in developing economies, have to rely on their own resources and informal or semi-formal financial sources and face greater barriers than men in accessing finance. This has implications not only for women, but also for their families, economies, and financial systems. There is mounting evidence that financially empowered women are more likely to improve the family’s welfare. Overall, women’s financial exclusion limits the growth-promoting potential of finance, and this paper provides an important piece of evidence using macroeconomic data for a broad cross-section of countries.

IMF staff work also underscores that a more inclusive financial sector governance structure can also be important for financial stability. For example, there appears to be an acute lack of women in financial governance. While the above Staff Discussion Note 15/17 focuses on vulnerable groups that are left out from accessing and using financial services, there is another aspect to the conduct and delivery of financial services that could be related to financial stability, namely the inclusion of women among financial sector providers (banks) and regulators. In both banks and supervisory institution decision-making boards, the share of women is low. This could have an impact on the risk-taking behavior of banks, on the quality of bank supervision, and ultimately on financial stability outcomes. Evidence is mixed on whether women are more or less risk-averse than men. IMF staff’s recent analysis (Sahay and others, forthcoming) uses new datasets to document the considerable gaps in financial governance and explores the relationship between the share of women on bank boards and in bank stability.

IMF staff is also involved in follow up work in these areas which requires improving its existing datasets. In October 2016, the IMF released the latest results from the annual Financial Access Survey, announcing that – in response to growing interest in gender-related statistics on financial inclusion from many users – a number of national authorities have been recently surveyed to assess their capacity to compile and disseminate these statistics by drawing from administrative data sources. The results of this pilot will be made available on the FAS website later this year.

http://data.imf.org/FAS
Planning

Finding 29: To date, FIRST has relied on its multi-year strategy rather than annual workplans to guide its operations. It has not introduced any systems to guide its activities on either a semi-annual or annual basis.

According to the FIRST Charter, the PMU is responsible for preparing draft annual strategic plans and budgets for GC review and approval. However, interviews and document reviews (including GC meeting minutes) indicate that FIRST currently does not have an annual strategic planning (or work planning) process in place. Unlike other WB Trust Funds which have multi-year strategies and annual work planning processes, FIRST stakeholders instead rely on the Phase III strategy to guide the overall Initiative. Interviewed PMU staff members report that one reason for the lack of annual workplans may be that some GC members fear that an annual workplan may prevent FIRST from being demand-driven.

The absence of an annual work planning process has several implications:

- There is no clear obligation for stakeholders to break down the strategy into specific tasks, with clear deadlines and financial allocations earmarked for priorities.
- There is no formal, clear, approved basis to guide PMU priorities for the year, or for GC to monitor and review FIRST performance annually. Similarly, there is no systematic process in place for the PMU and GC to review and revise annual priorities and strategies (and possibly the strategy itself) as required, given changes in the Initiative’s context.
- The absence of a formal workplan creates the risk that FIRST stakeholders get overly distracted by immediate needs and priorities, rather than keeping annual and longer term strategic priorities in mind and setting aside time and resources for such priorities. An annual workplan process might have helped FIRST manage and control its response to the significant increase in MIC demand for FIRST support in response to the events of the Arab spring in 2010-11.

Given the regular turnover in GC representatives as well as the expected long duration of Phase III implementation (+/- 8 years), an annual workplan would be a particularly helpful way to keep all stakeholders well informed of FIRST priorities in any one year, to explain how such priorities are expected to contribute to the results envisaged in the FIRST strategy, and to identify corrective actions needed to re-align FIRST activities with the strategic priorities. To illustrate, the analysis of FIRST’s actions related to knowledge management (see Finding 27: above) raised questions about the role FIRST is playing and should be playing in knowledge management. While FIRST developed a workplan for knowledge management in 2014, the action plan has not been revisited since then. If FIRST had an annual workplanning process in place, there would be an established practice/discipline to revisit progress to date and to identify changes or new or additional actions to realize Phase III strategic objectives.

Interviewed PMU staff indicated that the IMF already prepares annual workplans and that the PMU is currently taking steps to establish an annual workplan for FIRST.

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59 FIRST Charter 2013, p.7 and 8
6 Conclusions, Recommendations and Lessons Learned

6.1 Conclusions

Context

The global financial crisis (GFC) in 2008 drew attention to the need for sound financial sector infrastructure and a robust regulatory framework and supervisory apparatus to support financial sector development. While most LICs and MICs were not directly affected by the proximate causes of the GFC, many were caught by the second round effects. Lessons from the GFC, coupled with financial distress in many MICs and LICs arising from the collapse of commodity prices, political instability, or poor fiscal policies, increased the demand for financial sector technical assistance spanning the foundational or prerequisite topics of financial sector infrastructure, legal and regulatory frameworks and supervisory capacity, in addition to a focus on expanding the outreach of the formal financial sector. As international standards for financial stability and consumer protection have evolved rapidly, the gaps between current and best practices have widened in many LICs and MICs and new threats to financial stability emerged, including cyber-security. These and other emerging needs (such as strategies to mitigate the effects of de-risking, personal privacy and security and consumer protection) fueled the demand by LICs and MICs for technical assistance and donor support to address such challenges.

LICs and MICs are also demanding support for financial sector reform in other areas including financial inclusion and long term finance. Given global emphasis and commitments related to increasing the access of individuals and small and micro-businesses to useful and affordable financial services, LICs and MICs require assistance to develop comprehensive national financial inclusion strategies. Given the inadequacy of long-term financing relative to demand, increasing numbers of countries are taking steps to expand their financial sector beyond deposit-taking-based intermediation which requires advisory support to create legal frameworks for issuance of capital market instruments, market conduct regulation, payments and settlement infrastructure among others.

FIRST Initiative

In this context, the objectives of the FIRST Initiative, to support LICs and MICs in building stable, more efficient and inclusive financial systems is relevant to the evolving needs of LICs and MICs alike. In addition it helps to fill the support gap for developing financial sector strategies exacerbated by the focus of FSAPS on systemically important financial sectors. Consulted stakeholders confirmed the continued relevance of FIRST principles, while noting some concerns about how the demand-driven approach principle is operationalized. Stakeholders appreciate the relative flexibility of FIRST support to respond to their evolving needs (broad scope, duration of support, funding needs) as well as its ability to
accommodate the needs of MICs and LICs. The Initiative is congruent with FIRST donor priorities vis-à-vis financial sector reforms and with the priorities and expertise of FIRST’s implementing partners, the Bank and the Fund. Unlike other existing Trust Funds in the F&M GP, FIRST has a broad, flexible approach that accommodates multiple geographic regions, contexts and thematic foci. In our view, a broad scope is justified by the unknown challenges and opportunities that can emerge from evolving global and national contexts. While other sources of support may exist to address similar financial sector reform needs, the needs exceed the available support. While FIRST has several distinguishing characteristics, there is mixed understanding and value placed by FIRST stakeholders on the need for FIRST to have a clear brand.

The FIRST Initiative has been effective in realizing its operational targets. There is ample evidence that individual FIRST projects and programs are having positive outcomes and some catalytic effects, but it is not possible to assess the overall developmental performance of the Initiative given the absence of an approved results framework and the limited observation period for Phase III projects that are recently completed or still ongoing. FIRST responded to Phase II evaluation recommendations deemed relevant by the GC, although the evaluation team considers a couple of recommendations are still relevant. FIRST has responded to or is working on addressing the action items of the 2015 Rabat Consultative Group meeting.

FIRST management costs are reasonable, given the heavy emphasis on project and program monitoring and evaluation. However, the Initiative has several inefficient processes of concern to GC members and FIRST implementing partners alike, mainly related to the FIRST funding model and FIRST project and program review and approval processes. FIRST stakeholders are taking actions to address some of the most significant noted shortcomings.

While the FIRST Charter clearly articulates the roles of the GC and the PMU, interviewed WB Managers and TTLs report some variations in fulfillment of the roles and responsibilities of the PMU and implementing partners during and after project implementation, including for quality assurance, reporting and follow up. The GC engages actively in FIRST operational activities, at some cost to FIRST’s strategic management. The role played by the PMU related to FIRST project and program review, approval and monitoring is generally appreciated by interviewed TTLs/IMF staff. Donors have ongoing concerns about the challenges faced by the PMU staff in managing their dual reporting relationships with the Bank and the GC.

There are several concerns about the sustainability of the Initiative beyond Phase III. While FIRST donors were successful in meeting the financial target for Phase III, the GC has not been successful in attracting any new donors during Phase III. Furthermore, while FIRST’s current donors have been very supportive of FIRST’s work, there are relatively few of them; changes in their domestic priorities and resource constraints may have a significant effect on FIRST’s sustainability. A final concern relates to any prolonged pause between the end of Phase III and a future phase; this occurred following Phase II, and contributed to significant staff turnover in the PMU and slowed or stopped project funding.

The review of management processes used to design, plan, manage, monitor and report on the FIRST Initiative identified improvements from Phase II in monitoring and reporting operational targets, but also noted several remaining shortcomings with the FIRST design. These pertain mainly to the disconnect between FIRST’s demand-driven principle and its business model; the limited FIRST support for diagnostic work that can be done in projects and programs, which adversely affects information needed to support financial sector reforms; the absence of an approved results framework with defined indicators to guide, monitor and report on FIRST’s developmental performance; the heavy emphasis on the results of individual FIRST projects and programs and FIRST Operational Targets in tracking and reporting on FIRST
performance; and the development of Knowledge Management objectives and action plans that are premised on the mistaken view that FIRST itself creates and is a repository of intellectual property.

While the FIRST Charter indicates that the PMU will prepare annual strategic plans for GC approval, to date, FIRST has relied on its multi-year strategy rather than annual workplans to guide its operations. As a consequence, there is no formal, clear basis to guide FIRST priorities and monitor implementation for the year. The PMU reports that it is working on developing an annual workplanning process.

**FIRST Projects**

All FIRST catalytic projects reviewed were implemented by the WB as no IMF-executed projects were complete at the time of the evaluation. A review of project documents indicates that they were highly relevant in FIRST client countries. While the majority of reviewed projects were recently completed, there was evidence that the majority generated outputs and are likely to produce preliminary outcomes. Some TTLs and PMU staff interviewed feel that FIRST has been instrumental in leveraging support and has played a catalytic role for follow-on initiatives by governments and other development partners. In the ratings of project effectiveness, 20 percent of projects received low ratings due to unrealistic objectives, and/or missing information in project documents, particularly GRMs.

Surveyed FIRST clients were positive about the TA received. The majority of respondents indicated that the quality of the legal-regulatory advice, strategies, methodologies and tools, and capacity building activities was Good or Very Good. Both the survey data and interviews confirmed that clients appreciate the performance and quality of WB consultants and the WB/IMF project teams, who received even higher survey ratings.

Overall, FIRST catalytic projects appear to be managed efficiently. However, based on Phase III experience to date, the prescribed timeframe for completion of catalytic projects is not realistic. While still at relatively early stages of maturity, the results of the majority of reviewed Phase III projects are likely to be sustained.

The FSDIP is an effective tool to meet client demand for assistance in developing a reform strategy in the absence of an FSAP. Potential constraints to successful FSDIPs are the Catalytic Window limit of 30 percent of the budget for diagnostic work, and the budget ceiling of USD 500,000. The limit on funding for WB staff time resulted in most FSDIP work being undertaken by teams of consultants. Removal of the limit on WB staff time will lessen the constraints seen in several projects where the authorities’ timing had to be adjusted in light of the limited availability of suitably experienced consulting teams.

**First Programs**

Reviewed FIRST programs are highly relevant to client needs for financial sector development, and build upon previous diagnostic and analytical work. The oldest FIRST programs in Rwanda and Morocco are making significant progress towards realizing planned results including several draft laws and regulations related to the new stock exchange law and REITS law (Morocco) and amendments to laws in the insurance sector and a new law on banking (Rwanda). The efficiency of FIRST programs was affected by delays in implementation in all five FIRST programs due to internal factors (change in government, time required to pass legislation, country capacity) and external factors (an earthquake in Nepal). This raises questions about the set timeframe of three years for the Programmatic Window. The sustainability of results for FIRST programs depends on the passing of laws and reforms, which may take years, and continued
capacity building of national stakeholders is required to ensure all components are implemented after completion.

FIRST pays significant attention to quality at the project and program inquiry and proposal stages. Most of those interviewed feel the approval process could be streamlined without compromising quality. While FIRST design, monitoring and evaluation systems emphasize results, established systems work more effectively for FIRST programs than for FIRST projects.

### 6.2 Recommendations

This section outlines the key recommendations of the evaluation, which complement suggestions made throughout the report. We have grouped the recommendations into those that pertain to Phase III, and those that relate to the design of any subsequent phases of FIRST.

**Phase III**

**Recommendation 1:** The GC, with PMU support, should take steps to streamline the FIRST Funding model into a maximum of two buckets designated for LIC and MIC needs.

During the course of the evaluation, donors and other key stakeholders identified multiple limitations with the current FIRST funding model which has six funding buckets. This contributes to inefficiencies associated with managing so many trust funds. It also reduces the ease with which funds can be “repurposed” for FIRST programs and projects if predetermined allocations for LICs, MICs, projects and/or programs are no longer deemed appropriate. Given that FIRST’s current donors have varying priorities for LICs and MICs, we suggest that the FIRST business model should comprise no more than two buckets designated for LICs and MICs.

**Recommendation 2:** The PMU should evaluate and report on the results of efforts made to expedite the FIRST project approval process and consider additional options to increase the efficiency of the process.

During the meeting of GC members in December 2016, the PMU proposed to pilot test a streamlined approval process for FIRST projects and programs. In addition to decisions made by the GC on that process, the GC should consider some additional refinements such as increasing the Program Manager’s approval threshold so that it is in line with practices in other trust funds, and consider the possibility of establishing a “fast track” application mechanism for standard/routine projects.

Given PMU estimates that the budget available for approval of new FIRST programs and projects will be fully allocated by March 2017 and December 2017 respectively, there is very little time to test the streamlined procedures on FIRST programs, and also little time to test them on FIRST projects. The results of such tests will likely have greater benefits for future phases of FIRST than for the current phase.

Given the limited time in Phase III to test such streamlined procedures, it is important that the PMU define the objectives of the streamlined process, and communicate the process to potential project applicants over the next 10 months. It should also evaluate the results of the process against envisaged objectives, and recommend any changes that can inform FIRST project approval processes in the future.
Recommendation 3: The GC, with support from the PMU, should review and revise FIRST roles and responsibilities so that they support a clear, more efficient and effective implementation of FIRST.

Interviewed WBG stakeholders report that there is considerable variation in the fulfillment of roles and responsibilities of WBG staff in FIRST project monitoring. This is partly due to established caps on WBG staff time. It may also be due to the absence of clearly defined responsibilities for the PMU and implementing partners respectively in the FIRST Charter, reviewed Administrative and Transfer Agreements. Our review of the two documents provided by the PMU indicates that roles and responsibilities are defined in very general terms (focusing on supervision and reporting); they do not clarify the respective responsibilities of the PMU and the two implementing partners.

Given plans to expedite the FIRST approval process for projects and programs, the GC and PMU should review the continued relevance of GC responsibilities related to approval, quality standards and monitoring and evaluation frameworks for FIRST projects and programs (items 4.1.5 (vii) and (x) in the 2013 Charter). The GC should consider a more hands-off role that would allow them to provide views on a no objection basis. The GC and PMU should clarify article 4.1.5 (iv) which describes GC responsibilities related to the annual strategic plan and budget, given that no such plan currently exists. If recommendations made elsewhere in this document related to adoption of an annual workplan process are accepted, an annual workplan could replace the reference to an annual strategic plan in item (iv).

Finally, the GC should assume a more strategic role in FIRST governance. During Phase III, document reviews and interviews with the GC and PMU indicate that the GC has paid considerable attention to FIRST operational matters. While the GC has the authority to determine its priorities, there is a need for the GC to pay greater attention to strategic matters such as the overall performance of FIRST, including its continued relevance and viability given the evolving contexts within which it operates, as well as the overall effectiveness and efficiency of the FIRST Initiative. While interviewed donors raised such questions during the course of the evaluation, it is not evident that these matters are discussed during GC meetings. We encourage GC members to discuss how they may play a more strategic role vis-à-vis FIRST in the future. In this vein, one immediate priority relates to the diversification of FIRST sources of funding as discussed in Recommendation 7.

Recommendation 4: Building on the noted accomplishments and lessons in tracking the performance of FIRST projects and programs to date, the PMU should refine its current approaches to monitoring and evaluation of FIRST projects and programs so that they are more effective, efficient and support learning.

One of the notable changes between Phase II and III has been the attention paid to results-based management at the level of FIRST projects and programs throughout the project and program cycles. The PMU is to be given credit for the rigour with which projects and programs are designed.

The updated M&E framework (2016) includes a variety of strategies to track and report on results over time. The PMU has learned with experience that the effectiveness and value-added of such strategies varies. For example, the cost-benefits of FIRST client surveys are not evident. The GRM reports are not particularly helpful in documenting the planned to actual progress of FIRST projects, partly due to the timing of such reports but primarily because of the limitations arising from the way such reports are prepared. They were often incomplete, missing important changes in the project over time, and did not provide the information required by the template. Despite the strong emphasis on results in FIRST design.
documents, the completed GRM reports paid inconsistent attention to planned/actual results and indicators.

The PMU should consider abandoning its client survey and replacing it with more formal post-reviews of projects 18 months or longer after completion, as outcomes and impacts in financial sector development are generally not observable over shorter time horizons. Given that resources are limited, the PMU should consider the value of periodic reviews of clusters of projects within selected countries (such as occurred in this 2017 external evaluation). Such reviews could be carried out by the PMU with support from thematic experts as required. Rather than waiting for an external evaluation to take place, these reviews could be staggered over time and used to assess FIRST performance in different contexts.

**Recommendation 5:** The GC should consider adopting a set of much more focused knowledge management objectives that are better aligned with the FIRST delivery model.

The knowledge management outputs could be better focused on the strengths of the FIRST model, provide enhanced reporting to donors and other stakeholders on success stories, and better inform GC meetings.

To the extent that additional topics can be identified where there may be unique lessons learned from FIRST projects or programs – possibly the FSDIP as a partial substitute for the in-depth review of an FSAP – it would be appropriate to plan and complete lessons learned notes.

It would also be appropriate to support preparation of a modest number of best practice notes, leveraging WB and IMF expertise and drawing on multiple FIRST-funded projects for examples. Input from the relevant technical experts in the WB and IMF should be sought to identify suitable topics.

Additionally, FIRST could prepare and disseminate a number of project or program-specific case studies, particularly to illustrate some of the distinct features of FIRST. These could include focusing on the demand-driven aspect, and potentially the gap-filling and flexible nature of the funding by selecting projects that had sought but failed to obtain funding elsewhere.

**Recommendation 6:** In the interest of designing projects more effectively, FIRST caps on diagnostic work and WB staff time should be eliminated.

To date, the FIRST design imposes a limit on the diagnostic work that can be done in projects and programs, which can be a constraint in providing support for development strategies. While in some countries without recent FSAPs there may be an appropriate body of previous TA reports to provide the necessary diagnostic foundation, in other instances there will be a need for more extensive diagnostics.

In catalytic projects, projects have been subject to a cap of 30 percent of total project cost; furthermore WB TTL cost is capped at 34 percent of total project cost. These two caps have limited WB experts’ ability to conduct diagnostics that are critical to the effective design of a project. In our view, these caps should be removed to accommodate the specific needs of a project.

In FSDS/FSDP and FSDIP projects this constraint has been commonly dealt with by identifying the need for a baseline study as an initial action plan item in a particular area such as financial literacy. While a reasonable work-around, this means that the action plan items are often not as detailed as would be desirable, since developing a more detailed set of actions is deferred until completion of the diagnostic work. This in turn may affect implementation, as in most cases completion of the diagnostic work will be dependent on finding development partners prepared to fund the necessary TA. To address this need, it
will be important for the WB and the IMF to work together to a stronger, more systematic diagnostic approach prior to a potential Phase IV.

**Future Directions**

**Recommendation 7:** Given the generally positive results of the Phase III mid-term evaluation, the GC, with support from the PMU, should play an active role in securing funds from existing and new donors in support of a future phase of FIRST.

While the majority of FIRST projects and programs are still being implemented, this evaluation reports good to excellent progress with completed projects and programs in terms of their relevance and effectiveness, and they also have a reasonable likelihood of sustained results. Noted limitations relate to the efficiency of FIRST management processes and the modest attention paid to the FIRST Initiative as opposed to FIRST projects and programs. In our view these shortcomings can be resolved with GC and PMU actions and support.

Looking ahead, the key challenge facing FIRST relates to the sources and amounts of funding it can secure for the future. To date, FIRST’s current donors have not been in a position to make financial commitments for a possible Phase IV because their own domestic priorities may be changing, and because some are waiting for the results of this Phase III evaluation. FIRST’s continued reliance on a relatively small number of donors makes it vulnerable. Given that interviewed GC representatives strongly believe in the relevance and value of FIRST support to LICs and MICs, the GC could and should play a strong, proactive role in identifying funds for a future phase of FIRST from existing and new sources.

**Recommendation 8:** The GC, with support from the PMU, should ensure that the design of a future phase of FIRST encompasses a clear, approved results framework for the Initiative, as well as systems to monitor, report on, and evaluate its overall developmental results.

While some efforts were made to develop a results framework for Phase III, it was never approved by the GC. As a consequence, Phase III reporting has focused mainly on the performance of individual FIRST projects and programs as well as the status of FIRST operations. While such information has its own valued purposes, it does not fully support GC responsibilities to review and evaluate FIRST’s overall performance, as stated in the 2013 FIRST Charter, item 4.1.5 (ix), or their stated interest in knowing the extent to which the Initiative is effective.

In line with our view that the distinction between the Catalytic and Programmatic Windows is artificial (see Recommendation 9), the evaluation team suggests that the design of a results framework for a future phase of FIRST be grounded in a set of outcomes that are common to FIRST projects and programs as there is considerable overlap, with both projects and programs likely to support long term reforms. Similarly, projects are equally as likely to support legal, regulatory and supervisory capacity business, standard setting and product development.

In developing a results framework, the GC and PMU should consider the following suggestions:
The PMU should work with stakeholders to unbundle the implicit complex theory of change that lies behind this capacity building Initiative. For example, there are multiple steps between providing technical assistance, increasing capacities in targeted institutions, improving institutional performance, and ultimately affecting economic growth and poverty in a country. Defining these steps would help identify the length of time typically required for such changes to take place, and could simultaneously help set more realistic timeframes for FIRST funded projects and programs. In our view, the existing results chain does not adequately reflect these complexities. (See sidebar for other comments)

Observations about FIRST’s existing results chain

1. Instead of expecting that national authorities are “informed” about international good practices as in the current results chain, it would be better to target “implementing” good practices.
2. As is currently done in GRMs (at least the ones that are well-completed), in assessing results for the entire FIRST Initiative it would be necessary and appropriate to note reasons why there were limitations on achievement of expected outcomes.
3. “Improved soundness of prudential regulation and supervision” might be disaggregated into “improved legal and regulatory framework” and “enhanced capacity of regulatory and supervisory agencies.”
4. “Improved financial infrastructure” remains appropriate (although for both catalytic and programmatic).
5. “More long-term financing and investment vehicles” is not likely to be observable over any reasonable period during and after a project or program; progress towards this outcome should actually be observable in the other three outcomes.

FIRST’s results chain and any future results framework should not distinguish between catalytic and programmatic outputs and outcomes as there is considerable overlap, with both projects and programs likely to support long term reforms. Similarly, projects are equally as likely to support legal, regulatory and supervisory capacity business, standard setting and product development.

Any future results framework for FIRST should include indicators that would be used to measure qualitative and quantitative progress of the Initiative over time. At present, no such indicators exist.

In our view, the use of targets in any future FIRST results framework should be selective and grounded in reality, rather than in theoretical assumptions. For example, stakeholders could consider targets that focus on the percentage of supported countries or projects/programs that enhance their capacities or performance in certain areas, rather than attempting to forecast the specific changes and varied changes in the financial sectors. Given the demand-driven nature of the FIRST Initiative, it will be difficult if not impossible for stakeholders to establish such baselines and targets for the Initiative.

The current set of outcomes reflects the challenges in identifying observable targets that can be attributed to FIRST projects and programs while recognizing that in most cases achieving outcomes is not within FIRST’s direct influence. Nevertheless, it would be appropriate to include more specific outcomes, as is done in the results chain in the approval of individual programs and projects. While in some sense these may be aspirational for FIRST overall, there would be benefits to including outcomes that would help to document the performance of FIRST overall. (In March 2017, the PMU requested additional feedback from the evaluation team on how to develop an appropriate results framework for the Initiative. In our experience, this is a brainstorming exercise that would benefit from the PMU’s active input. We proposed scheduling a virtual meeting with the PMU in April 2017 for this purpose.)
In addition, in designing any future phase of FIRST, we suggest that the PMU and the GC members review the need for and role of operational targets in management and reporting practices. In our view, the current Operational Targets list is very activity-based and process-oriented and while it may provide a checklist for the PMU in managing FIRST, it does not reflect FIRST’s commitment to embracing results-based management.

Once FIRST has a results framework, it should also pay explicit attention to monitoring, evaluating and reporting on the overall FIRST Initiative, including its relevance, effectiveness, efficiency and sustainability, and take measures to make its reports more analytical, commenting on, for example, notable trends and lessons learned.

Finally, given that it takes time for projects and programs to achieve outcomes and demonstrate impacts, the terms of reference for future external evaluations should permit reviews of FIRST’s cumulative support (i.e., across FIRST phases) to selected countries, rather than limiting the evaluation scope to those activities funded in the current phase.

**Recommendation 9:** In designing any future phase of FIRST, the GC, with support from the PMU, should take steps to ensure that the FIRST design and practices are based more on client needs and country context.

The evaluation found that there is a significant contradiction between the FIRST’s principle that emphasizes the demand driven nature of FIRST, and FIRST’s current design and operational practices. This is evident in how FIRST Operational Targets are defined, as well as in how several of the criteria and guidelines for project/program design are articulated. In our view, the FIRST business model should reflect FIRST principles more closely: for example, project/program size, duration and targets should be realistic and reflect client needs and objectives, rather than being artificially designed to reflect predetermined criteria. FIRST should also accommodate a stronger, more systematic diagnostic approach rather than relying on pre-determined, inflexible support formulae. Finally, in our view, it is not evident that the current distinction between the Catalytic and Programmatic Windows is necessary or helpful. We encourage the PMU to identify a more fluid model that accommodates varying needs of clients.

In addition, in keeping with the principle of demand-driven programs, there continues to be a rationale for FIRST to have a broad scope given the unknown challenges and opportunities that can emerge from evolving global and national contexts. While other sources of support may exist to address similar financial sector reform needs, the needs exceed available support.

**Recommendation 10:** FIRST should continue to offer the FSDIP product in a prospective Phase IV.

In our view, the FSDIP is particularly relevant for LICs and smaller MICs that are unlikely to be targeted for FSAPs. Lessons from the earlier experience with FSDS/FSDP projects are already reflected in the FSDIP selection criteria. Possible enhancements to the program would include expanded funding for diagnostic work, possibly in the form of a pre-approved budget contingency for diagnostic studies to be identified as review of prior TA work and stakeholder consultation takes place during the initial stages of the FSDIP. To address this need, it will be important for the WB and the IMF to work together to a stronger, more systematic diagnostic approach prior to a potential Phase IV. Removal of the hard cap on catalytic projects and the sharp distinction between Catalytic and Programmatic Windows recommended in Recommendation 9 would also help to ensure that FSDIPs are designed wholly to meet client needs rather than being tailored to fit within the selection criteria.
6.3 Lessons Learned

The key lessons learned emerging from the evaluation are summarized below.

**Initiative, program, project design**

- To be effective, it is important for projects and programs to have a design that is realistic given available resources, expected timeframes, and partner capacities.
- The relevance of projects and programs is enhanced when they are grounded in an adequate diagnosis of client needs and context.
- An initiative’s potential performance is enhanced when an agreed and commonly known basis for assessing its performance (including clearly articulated results, indicators and/or targets) is used for monitoring and reporting over time.

**Managing for sustainable results**

- National stakeholders are more likely to own and support program and project plans if they are appropriately consulted in the design and review of such projects and programs over time.

**Evaluation design**

- Evaluation results are most meaningful/useful when the evaluation’s objectives are congruent with the stage of evolution of the project, program or initiative and the evaluation scope. For example, a mid-term evaluation is not likely to identify impacts in new projects, program and/or initiatives.
- To be most useful to stakeholders, evaluation TORs should prioritize what the client is most interested in, and therefore how the evaluation budget should be allocated.
Appendix I Terms of Reference

The Financial Sector Reform and Strengthening Initiative (FIRST)

TERMS OF REFERENCE

Mid-Term Evaluation of Phase III Operations
(2013 – 2018)

Evaluation Purpose

The Mid-Term Evaluation is conducted to assess the implementation of the Phase III strategy and to draw lessons to inform the strategy going forward. It covers the period from January 2013 to June 2016, and will focus the assessment at the two levels: (i) FIRST’s Business Model, governance, and management; and (ii) Projects/Programs’ performance. The evaluation is expected to provide a sound basis for assessing the introduction of the Programmatic Window and the corresponding results framework (eligibility criteria). The timing has been determined by the need to wait for meaningful results from the Programmatic Window, whilst providing a basis for strategic discussions in view of Phase IV. It is also expected to gather and incorporate the lessons learnt, including the feedback during the 2015 Consultative Group (CG) meeting.

Background

The Financial Sector Reform and Strengthening Initiative (FIRST) is a multi-donor program aimed at supporting low- and middle-income countries in building stable, more efficient, and inclusive financial systems. FIRST was created in 2002 following the East Asian financial crisis and has since funded more than 700 projects and programs in over 120 countries, deploying over $150 million as of June 2016.

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60 One exception is that Rwanda Program which will end in December 2016. The evaluation will review the performance of this program as of December 2016.
61 More information about FIRST can be found at www.firstinitiative.org
FIRST’s TA (TA) covers a wide spectrum of the financial sector, including but not limited to Banking, Insurance, Capital Markets, Financial Infrastructure (Accounting & Auditing, Payments Systems, and Credit Information Systems), Microfinance, etc. FIRST’s traditional mandate is to support countries in prioritizing and implement recommendations from the Financial Sector Assessment Programs (FSAPs)/Reports on Standards and Codes (ROSCs). However, owing to the limited resources available for FSAPs in Low Income Countries (LICs), in 2014 FIRST introduced a new TA instrument, the Financial Sector Development Implementation Plan (FSDIP), which, though not substituting for FSAPs, aims to support countries in developing broad financial sector strategies with detailed action plans.

FIRST’s TA recipients are typically government agencies, regulatory bodies, policy makers, and under limited circumstances – quasi-public institutions such as self-regulating organizations.

In December, 2015 FIRST formally adopted a Gender Mainstreaming Framework which aims to identify opportunities to incorporate gender specific activities where relevant and feasible.

FIRST is currently in its third five-year funding cycle (Phase III, January 2013 – December 2018) with support from five donors: the Department for International Development of the United Kingdom (DFID), Germany’s Federal Ministry of Economic Cooperation and Development (BMZ), the Ministry of Finance of Luxembourg, the Ministry of Foreign Affairs of the Netherlands (MFA), and the State Secretariat for Economic Affairs of Switzerland (SECO). The World Bank Group (WBG) and the International Monetary Fund (IMF) are the implementing partners.

FIRST operates under a two-tier structure consisting of the Governing Council and the Secretariat or the Program Management Unit (PMU).

(i) The Governing Council provides strategic guidance, sets overall policies, and approves all projects and programs. It comprises one representative from each of FIRST’s donors, as well as a representative from the World Bank Group, and from the IMF.

(ii) The PMU, headed by a Program Manager, manages day-to-day activities. It is located in Washington, D.C., within the World Bank Group’s Finance and Markets Global Practice.

**Business Model**

FIRST projects are executed by the WBG and the IMF, with IMF managing fifteen percent of the funds and the rest by the WBG. FIRST’s funding model is characterized by two windows, Catalytic and Programmatic, with each window having two funding “buckets”—one for low-income countries (LIC) and one for middle-income countries (MIC). In total, there are four “buckets”: LIC Catalytic, LIC Programmatic, MIC Catalytic, and MIC Programmatic, which allows donors to make contributions based on their strategic priority and focus.

62 For example: DFID’s committed fund is earmarked to only LIC countries, through LIC Catalytic and LIC Programmatic buckets; BMZ is funding only Catalytic Window, for both LICs and MICs. All the other donors contribute to all the four.

62 It is important to emphasize that the Programmatic Window was added into FIRST’s business only from 2013 as a new TA instrument to respond to programmatic requests either as FSAP/FSDIP follow-up or comprehensive sector reforms in the context of country’s strategy. By offering well-structured
interventions, programs are expected to generate tangible development impacts on the ground as well as increase sustainability.

Key characteristics and operations of each window are briefly summarized as below:

(i) **Catalytic Window**: funds small-scale (under $500,000), short- to medium-term (6 to 24 months) projects to address targeted TA needs based on country demand. Catalytic projects are hereinafter referred to as “projects”.

From the start of Phase III - January 2013 to March 2016, a total of 98 projects have been approved worth $29.5 million through Catalytic Window, out of which 52 have been fully implemented\(^{63}\).

(ii) **Programmatic Window**: funds larger engagements, across multiple subsectors, connected through a well-structured, typically multiyear reform agenda. The amount for the programmatic program TA ranges from $1 million to $2 million, implemented over three years. The Programmatic Window supports TA aimed at contributing to the following development objectives: Financial Inclusion, Financial Stability, and Financial Deepening; and includes a set of mandatory quantifiable targets to achieve. Programmatic window projects are hereinafter referred to as “programs”.

As of June 30, 2016, a total of 10 programs have been approved\(^{64}\), which is worth $15.3 million in total. Among these, five programs support financial inclusion, two – financial markets, and three – financial stability. By the end of 2016, the very first program approved - Rwanda Financial Stability - will mostly be completed; the second program, Morocco Capital Market, is expected to deliver more than half of its intended TA deliverables; and the rest are in their early to middle stage of implementation.

**Evolving context of FIRST operations**

1) **WBG Reforms and Implication for FIRST**

The World Bank Group (WBG) has been undergoing institutional reforms since July 2014. The new WBG strategy envisages a stronger, more selective and effective institution in order to achieve the twin goals of ending extreme poverty and building shared prosperity in a sustainable manner. To support these goals, a number of measures have been undertaken, including the increased focus on country engagement and work programs that deliver services to country clients, while decreasing the overall institutional business costs.

The Finance & Markets Global Practice (F&M GP), where FIRST is housed, was formed in July 2014 by the merger of the financial sector side of the former Finance and Private Sector Development vice presidency and International Finance Corporation’s (IFC) advisory group. The integration of IFC advisory services presents FIRST with opportunities for generating client demand for FIRST work in areas such as collateral registry, credit registry, leasing and agri-finance where the World Bank’s financial sector was not as active in. The reforms have also allowed FIRST to collaborate with other Global Practices (GP) like Agriculture, and Social Protection GPs to deliver more comprehensive client solutions. The F&M GP supports the WBG’s achievement of the twin goals by contributing to deep, inclusive, efficient, and stable financial

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\(^{63}\) These data will be updated to reflect the cut-off point at June 30, 2016.

\(^{64}\) One in 2013, one in 2014, six in 2015 and two in 2016.
systems—the same aspiration shared by FIRST’s mission. **FIRST funds approximately 1/3 of Advisory Services & Analytics (ASA) projects in the F&M GP.**

The recently adopted Programmatic Approach65 (PA) by the WBG, to allow for a better coherence and synergies of the F&M activities in one country and help reduce excessive fragmentation in technical assistance/advisory services/analytics (ASA) works, can sometimes be at odds with the demand driven nature of FIRST. Since it takes from 6 months to one year to clear Concept Note for WBG PA, there were cases where application process for FIRST funded projects had to be kept on hold to wait for approval of WBG PA and in one case, it could not move to implementation after the approval of the project by FIRST. The consolidation of ASA activities has created incentives for project teams to have a more comprehensive solution, thus pushing up the project costs. Other factor that has contributed to the cost increase is the WBG’s recent full cost recovery on trust funds.

2) **Shift in FSAP resource allocation**

FIRST was created to help client countries to implement FSAP/ROSC recommendations. Over half of FIRST’s projects/programs have been informed by FSAP/ROSC assessments. However, due to resource constraints as well as shift in the FSAP program priorities towards countries with systemically important financial sectors, the frequency of FSAPs to low income countries (LICs) has significantly declined and this is likely to remain the case for a foreseeable future. Consequently, there is an increasing number of projects based on country strategies and priorities, but the proposals that FIRST receives do not always have in-depth diagnostic underpinnings. To address this gap, FIRST introduced a Financial Sector Development Implementation Plan (FSDIP) that can help countries prioritize and sequence financial sector development needs based on existing and additional analytical work.

3) **Results-Based Measurement (RBM) requirements**

Under Phase III, the results framework has been considerably strengthened. A comprehensive M&E framework was put in place and an M&E specialist was hired to implement the strategy. For the programmatic window, ex ante result targets were defined. The application of these targets appeared to tamper demand for programmatic funds and it was agreed to apply the targets more flexibly. At the same time, the IMF is currently implementing a comprehensive RBM reform, which includes the use of standard indicators.

**Status of Implementation**

As of March 2016, FIRST has mobilized a total of $96.8 million (including $10.5 million rolled over from Phase II) for Phase III operations, and expects to fully allocate the funding available for projects/programs by end of 2017. Despite the challenging and changing environment throughout Phase III, FIRST has continued to operate successfully expanding its portfolio. Although the uptake of the Programmatic Window was initially slow, it provided an opportunity for learning and enhancements to program designs. Demand grew strong by its third year, and the funding for Programmatic Window is expected to be fully committed by end 2016.

65 The WBG/F&M GP Programmatic Approach is an umbrella product line allowing for the combination of more than one ASA activity under one common development objective, which is usually at the high level. One PA could span across sectors, themes, and additional tasks can be added during the PA lifecycle. FIRST’s Programmatic Window concept is more focused, with a mandatory apex target.
FIRST’s Consultative Group Meeting

FIRST organize Consultative Group Meeting (CG) every two years. This event has been critical to FIRST’s success as it allows FIRST to listen directly from its clients and partners on how to improve impacts on the ground. The 4th CG was convened in June 2015 in Rabat, Morocco. This was the first CG event in FIRST’s Phase III operations. It was attended by a very geographically and technically diverse group of FIRST clients, peers, and donors: from central bank governors, to heads of banking and insurance supervision as well as high level officials from Alliance for Financial Inclusion (AFI), International Association of Insurance Supervisors (IAIS), Committee on Payments and Market Infrastructures (CPMI), and Making Finance Work for Africa (MFW4A). Participants provided feedback on various issues regarding FIRST business model, processes and quality of TA. Specifically, the participants highlighted what worked well in their previous engagement with FIRST, what has not and shared lessons on what it takes to implement reforms successfully. The CG made several recommendations on how FIRST could improve the quality of TAs going forward. The full report of this event is accessible on FIRST website at www.firstinitiative.org. This Mid-Term Independent Evaluation will assess, among other things, the extent to which the Rabat CG recommendations are implemented by FIRST.

Evaluation Objectives, Scope and Questions

This Mid-Term Evaluation will assess:

FIRST’s business model and management effectiveness: with a forward-looking approach, independent evaluator(s) will assess FIRST’s business model and governance structure, and FIRST Management’s effectiveness using the performance targets adopted in Phase III Strategy as yardstick, including the extent to which CG recommendations have been implemented.

Project and program performance: will be assessed based on the standard Organization for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) evaluation criteria, notably—Relevance, Effectiveness, Efficiency, Impact, and Sustainability.

The assessment will focus on completed catalytic projects as of June 2016 and a sample of active programs with the cut-off date of December 2016. The later cut-off date for programs would allow for the review of more activities thus offer more learning taking into consideration of the late up-take of this Window.

In December 2015, FIRST adopted a gender mainstreaming approach involving initial efforts to incorporate gender specific attention in the project where relevant and feasible. This Mid-Term Evaluation will review the appropriateness of FIRST’s early implementation of this gender approach and provide recommendations for future adjustments or improvements.

3.1 FIRST’s business model and management effectiveness

Strategic Focus and Value Addition:

(i) To what extent is FIRST’s strategic focus (i.e., thematic—Stability, Depth, Inclusion, Efficiency, and sectoral coverage, Africa and LIC priorities) still relevant in the global financial sector development space, considering FIRST’s comparative advantages? What changes in the strategic focus should FIRST’s donors and partners consider going forward and why?

(ii) What is the value added by FIRST to its clients and partners?
Funding Model:

(iii) To what extent is the current funding modality (2 windows, 4 funding buckets) effective as a partnership contribution model for achieving financial sector development goals? What changes in the funding model should FIRST’s donors and partners consider going forward and why?

Catalytic Window:

(iv) To what extent does the Catalytic Window business model meet the TA needs of clients (e.g., 24-month timeframe, budget ceiling of US$500,000, approval criteria, etc.)?

(v) To what extent is the concept of Catalytic Window aligned with the WBG’s ASA reform?

(vi) What adjustments and improvements, if any, should FIRST’s donors and partners consider for Catalytic Window? (e.g., time limitation of under 24 months, budget under US$500,000 in the context of the ASA reform/PA and WBG’s new cost recovery policy)

Programmatic Window:

(vii) To what extent is the design of Programmatic Window appropriate to generate tangible impacts (Inclusion, Stability, and Depth) as well as increase Sustainability?

(viii) What are the factors either internal or external that may have contributed to the initial slow uptake of the programmatic window? What adjustments or improvements, if any, should FIRST donors and partners consider for this business modality going forward (e.g. eligibility criteria, targets, approval process, results framework)?

Financial Sector Development Implementation Plan (FSDIP)

(ix) To what extent is the FSDIP instrument appropriately designed to provide client countries with analytical basis for prioritized and well-sequenced financial sector reforms in the absence of FSAPs?

(x) Should FIRST continue to offer this TA instrument going forward? What lessons can be drawn from its implementation thus far and what improvements if any should FIRST donors and its partners to consider?

Operational Rules, Processes, and Operational Effectiveness:

(xi) To what extent are FIRST’s operational policies and processes effective in helping FIRST achieve its strategic targets and objectives? What adjustments should be considered going forward?

(xii) To what extent were Phase III operational targets achieved or likely to be achieved?

(xiii) How effective has the coordination between the donors, partners (WBG and IMF), and FIRST management been? What improvements should be considered going forward?

(xiv) Has FIRST operations been cost efficient?

Monitoring & Evaluation:

(xv) To what extent is FIRST’s Monitoring & Evaluation appropriate and effective?

(xvi) What should be done differently in the M&E practice going forward?

Knowledge Management and Brand Building:
(xvii) To what extent has FIRST effectively implemented the Knowledge Management (KM) agenda put forward by Phase III Strategy (i.e., website, reporting, lessons learned notes, ad-hoc publications)? What enhancements should FIRST consider in order to strengthen its KM agenda going forward?

(xviii) How is the FIRST brand perceived by its stakeholders (clients, partners, and financial sector development community)? What should be done to strengthen the brand identity?

3.2 Project and Program Performance

Both projects and programs will be evaluated using OECD/DAC standard criteria. It is worth noting that however the maturity of projects and programs differs, specifically projects selected for evaluation are those completed, while programs are still active, except for just Rwanda program which will mostly be completed by December 2016. The evaluation of Programmatic Window therefore will focus more on the progress towards achieving targets and this is also appropriate as this evaluation is a mid-term one.

Relevance:

(i) To what extent are the activities and outputs of projects and programs consistent with the client countries’ financial sector policies and priorities?

(ii) How do clients assess the technical assistance provided by the WB/IMF experts and consultants in terms of quality, and usefulness?

Effectiveness:

(i) To what extent have FIRST’s TA recommendations been implemented by client countries? What might be the realistic expectation in terms of timeframe to have recommendations implemented?

(ii) To what extent were the objectives of completed projects/programs achieved or are likely to be achieved?

(iii) What is the likelihood of active programs to achieve their objectives?

(iv) How successful have catalytic projects generated follow-up reforms?

Efficiency:

(v) Have projects and programs cost more or less than planned? How do actual costs of similar activities compare?

(vi) Have projects/programs been executed in timely manner?

Impacts:

(vii) What difference have completed projects and programs made or will likely make to client countries?

(viii) To what extent has the introduction of the Programmatic Window helped to strengthen FIRST impact?

Sustainability:

(ix) To what extent have projects/programs been designed and implemented to ensure sustainability after TA completion? What could be done more?
(x) To what extent has FIRST, through the use of local consultants, had an impact on building local capacities and knowledge?\(^6^6\)

(xi) To what extent do projects and programs build on/ are harmonized with other existing donor initiatives, established local structures, institutions and processes?

**Gender Mainstreaming:**

(xii) Is FIRST’s recently adopted gender approach adequate to address issues of gender inequality? If needed, what can be done to improve it?

(xiii) Is the gender approach implemented properly? What lessons should be learned moving forward?

**Methodology**

The independent evaluators will develop the methodology detailing the sampling strategy, and data collection instruments (survey and interview questionnaires), interviewee list, data analysis strategy. In terms of data sources and collection methods, below is what FIRST would envision:

Review project and program documentation, Phase III strategic papers, Rabat CG Meeting Report, annual and quarterly reports, KM products, past evaluations, etc.

Conduct desk research of relevant financial sector issues and context.

Develop criteria for sampling, and select samples of Programmatic Window for in-depth review. Among the samples selected, conduct 2 country visits to assess the programs’ performance and future.

For Catalytic Window, the in-depth reviews will be conducted to all of [50] projects completed as of June 30, 2016. In addition, the consulting firm will select samples among these 50 projects for 3 country visits to assess the performance of Catalytic Window. Among other criteria to be developed by independent evaluator(s), a country with FSDIP project must be included.

Develop methodology for FSDIP Case Study, and produce the case study to elaborate the experience to-date, the effectiveness of this instrument in terms of catalyzing follow-up reforms and funding to implement reforms, the lessons learned and recommendations for improvements (Please refer to Annex 1 for the Report Structure and Requirements).

Conduct interviews with representatives from donors, partners, clients, and FIRST Project Management Unit to collect information to respond to questions in section III of this TOR.

Conduct Client Survey, which should include brand perception among other dimensions, and make comparison with previous independent client surveys (available on FIRST’s website, on the Independent Evaluations page).

Provide ratings for completed projects and programs against the DAC criteria. The ratings should be provided at the individual dimension as well as the overall rating. The consultants should refer to the ratings provided in the past independent evaluations (available on FIRST’s website) to build the trend.

\(^6^6\) One of FIRST’s Operations Target is to have at least 10% of total consultants’ budget allocated to local consultants. The rationale behind this is to strengthen the capacity for local institutions in the client countries in the interest of Sustainability.
Review active programs, those are with more than one year from the start date; conduct interviews or consultation with relevant partners/task team to assess the likelihood of effectiveness.

(Please refer to Annex 2 and 3 for the list of Projects and Programs).

**Deliverables**

The Final Report will be approved by the Governing Council. The PMU will manage the process and will ensure that the evaluators respond to the TOR’s questions without factual errors. The liaison person for the PMU will be Ms. Hanh Le, Senior Monitoring & Evaluation Specialist, who can be contacted at Lhanh@worldbank.org.

The deliverables include the following:

**Inception Report**: should demonstrate evaluators’ clear understanding of the task, present the detailed methodology for data collection and analysis, including sampling, list of proposed interviewees, interview guides and client survey questionnaires, project performance rating approach, work plan and schedule. The Inception Report should demonstrate clear understanding of how the analysis, findings, and recommendations should be separated for (i) FIRST’s funding/business models and operations-related issues; (ii) Performance of Catalytic Window along OECD/DAC criteria; and (iii) Performance of Programmatic Window along OECD/DAC criteria but with a focus on progress towards meeting the programs’ targets. **The Inception Report must be accepted by FIRST’s PMU before the evaluation can proceed to the next phase.**

**Draft and Final Reports**: these reports should consider the report format presented in Annex 3 of this TOR, unless there are good reasons for a different format. The final report’s main text should be at maximum 50-page length and cover all of questions raised in this TOR. Additional information which is relevant to the report should be included in annexes.

Both Draft and Final Reports should clearly present the findings, conclusions, and recommendations for: (i) FIRST’s funding/business models and operations-related issues; (ii) Catalytic Window; and (iii) Programmatic Window. Within the Report, a **case study** on the FSDIP instrument and performance will be developed to describe how it worked, what has been the success/failure so far, and what improvements or modifications should be considered going forward (Please see more guidance in the Report Structure in Annex 1).

**1st Draft Report**: will be sent to PMU for checking factual errors and reviewing whether the report responds to the TOR’s questions and requirements.

**2nd Draft Report**: will be circulated to the GC members (by the PMU) for comments. Evaluators will deliver a presentation on the findings, conclusions, and recommendations at the virtual GC Meeting in March 2017.

**Final Report**: will be approved by the GC.
Schedule

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<tr>
<th>NO.</th>
<th>TASK</th>
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<tr>
<td></td>
<td>FIRST PMU launches the competitive bidding for consulting firm selection.</td>
<td>By July 1, 2016</td>
</tr>
<tr>
<td></td>
<td>FIRST PMU awards the contract to selected firm.</td>
<td>By September 10, 2016</td>
</tr>
<tr>
<td></td>
<td>Consulting firm submits Inception Report to FIRST PMU.</td>
<td>By September 30, 2016</td>
</tr>
<tr>
<td></td>
<td>Consulting firm conducts the evaluation in line with the approved Inception Report</td>
<td>November 1, 2016 – February 28, 2017</td>
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<tr>
<td></td>
<td>Consulting firm submits 1st Draft Report to PMU for factual errors and adequacy checking.</td>
<td>by February 28, 2017</td>
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<tr>
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<td>FIRST PMU checks factual errors and reviews whether the Draft Report responds to TOR questions and requirements</td>
<td>By March 10, 2017</td>
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<tr>
<td></td>
<td>Consulting firm responds to PMU comments and submits the revised Draft Report. PMU circulates this Draft Report to GC for comments.</td>
<td>By March 15, 2017</td>
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<tr>
<td></td>
<td>Consulting firm presents the Draft Report at the GC Virtual Conference.</td>
<td>Tentative between March 15-31, 2017</td>
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<tr>
<td></td>
<td>The consulting firm incorporates comments from GC members and submits the Final Report. The Final Report will be approved at the GC Meeting in early June 2017.</td>
<td>By May 31, 2017</td>
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Technical Qualification

The evaluation team should have the following qualification:

- The Team Leader should have at least fifteen (15) years of experience in evaluating donor funded programs, especially in the global partnership models in the financial sector development space; familiar with different model of the partnership governance structure and business models.

- Proven knowledge and working experiences in financial sector development space (banking, insurance, capital market, pensions, payments systems, financial infrastructure, etc.)

- Experience in evaluating donor funded operations using OECD/DAC criteria.
Annex 1: Report Structure and Requirements

EXECUTIVE SUMMARY

Summary of the evaluation, with particular emphasis on main findings, conclusions, lessons learned and recommendations.

INTRODUCTION

Presentation of the evaluation’s purpose, questions, scope and methods used. Any deviations from the evaluation plan or key limitations to the methods should be acknowledged.

DESCRIPTION OF FIRST OPERATIONS AND PORTFOLIO

Description of the context, the institutional environment and arrangements established for the implementation of FIRST’s initiative.

Descriptions of FIRST’s strategy, operations, its purpose, governance structure, partners, and implementation status.

FINDINGS

Presentation of fact-based findings in line with the purpose of the evaluation.

The findings should cover all the evaluation objectives and questions in the TOR. Separate findings need to be presented for:

(i) FIRST’s current business model and operational issues: the analysis and findings should be focused on the business and funding models, the alignment with the implementing partners (WBG and IMF), and operations-related issues.

(ii) Performance of Catalytic Window: the analysis and findings should be presented against the OECD/DAC evaluation criteria, which speak about the quality of outputs and development outcomes for the client countries.

(iii) Performance of Programmatic Window: the standard OECD/DAC criteria will apply, however, as most of approved programs are at the early to mid-implementation stage (except Rwanda), the analysis and findings should focus on the progress towards the intended objectives.

In addition, within the Report, a case study on the FSDIP instrument and performance will be developed to describe:

- How it was designed? Is the design and implementation (e.g., the level of diagnostics, dissemination efforts, deliverables, ownership, etc.) consistent across countries? If not, why?
- What has been achieved in terms of follow-up reforms including the formulation of programs at FIRST and the implementation undertaken by the countries?
- Should FIRST continue to use this TA instrument going forward, and if so, what improvements or modifications should be considered?
CONCLUSIONS

Assessments of (i) FIRST’ current business model and operational aspects; (ii) Catalytic Window, which includes FSDIP instrument; and (iii) Programmatic Window.

LESSONS LEARNED AND RECOMMENDATIONS

Lessons that may have implications for future of FIRST or wider application.

Recommendations should be the logical implications of the findings and conclusions and firmly based on evidence and analysis.

Recommendations should be specific and separate for (i) FIRST’s business/funding model and operations-related issues; (ii) Catalytic Window; and (iii) Programmatic Window. The Case Study on FSDIP should include clear recommendations on improvements going forward.

ANNEXES

TOR

Project and program ratings in details

List of stakeholders consulted/interviewed

List of clients surveyed and responded

Data collection instruments (copies of questionnaires, surveys), and data summary collected from surveys

Documents consulted and references
## Annex 2: List of projects/programs completed as of June 30, 2016

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<tr>
<th>P</th>
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<th>LIC/MIC</th>
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### Table: Project Details

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### Annex 3: List of programs approved as of June 30, 2016

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<th>COUNTRY</th>
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<td>LIC</td>
<td>Rwanda: Strengthening Financial Stability Program</td>
<td>Stability</td>
<td>2,079,845</td>
<td>10/16/2013</td>
<td>02/28/2017</td>
</tr>
<tr>
<td>P151565</td>
<td>MNA</td>
<td>Morocco</td>
<td>MIC</td>
<td>Morocco #P3 Development of Local Capital Markets and SME Finance</td>
<td>Depth</td>
<td>2,025,672</td>
<td>10/01/14</td>
<td>08/31/17</td>
</tr>
<tr>
<td>P153451</td>
<td>LAC</td>
<td>Guatemala</td>
<td>MIC</td>
<td>Guatemala MSME Finance Program</td>
<td>Inclusion</td>
<td>1,322,113</td>
<td>01/29/15</td>
<td>01/31/18</td>
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<tr>
<td>P155114</td>
<td>AFR</td>
<td>Ethiopia</td>
<td>LIC</td>
<td>Ethiopia #P7 Promoting Inclusive Insurance</td>
<td>Inclusion</td>
<td>1,870,083</td>
<td>06/17/15</td>
<td>01/31/18</td>
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<tr>
<td>P155910</td>
<td>LAC</td>
<td>Haiti</td>
<td>LIC</td>
<td>Haiti #P11 Increasing Access to Responsible Financial Services</td>
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<td>1,562,912</td>
<td>06/29/15</td>
<td>01/31/18</td>
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<tr>
<td>P151544</td>
<td>SAR</td>
<td>India</td>
<td>MIC</td>
<td>India P10 SIDBI MSME Finance</td>
<td>Inclusion</td>
<td>1,716,965</td>
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<tr>
<td>P155971</td>
<td>AFR</td>
<td>Lesotho</td>
<td>LIC</td>
<td>Lesotho #P9 Financial Inclusion</td>
<td>Inclusion</td>
<td>1,497,889</td>
<td>09/17/15</td>
<td>01/31/18</td>
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<td>MCM_NP_L_2016_01</td>
<td>SAR</td>
<td>Nepal</td>
<td>LIC</td>
<td>Nepal: Strengthening Banking Supervision (IMF)</td>
<td>Stability</td>
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<td>07/23/15</td>
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<td>P155688</td>
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<td>Uganda</td>
<td>LIC</td>
<td>Uganda P17 Strengthening Financial Stability</td>
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<td>1,600,000</td>
<td>02/09/2016</td>
<td>01/24/2018</td>
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<tr>
<td>P158263</td>
<td>AFR</td>
<td>Mozambiqque</td>
<td>LIC</td>
<td>Capital Market</td>
<td>Depth</td>
<td>1,700,000</td>
<td>03/17/2016</td>
<td>01/31/2018</td>
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</table>
## Appendix II  Evaluation Matrix

<table>
<thead>
<tr>
<th>FOCI</th>
<th>KEY QUESTIONS</th>
<th>SUB-QUESTIONS</th>
<th>ILLUSTRATIVE INDICATORS</th>
<th>SOURCES OF DATA</th>
<th>DATA ANALYSIS TOOL/FRAMEWORK</th>
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</thead>
<tbody>
<tr>
<td><strong>FIRST Context</strong></td>
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<tr>
<td>Internal FIRST Context</td>
<td>What have been the key effects (positive/negative) of FIRST’s internal context on the Initiative’s past or future performance?</td>
<td>To what extent have the recommendations of the external evaluation of FIRST Phase II (2014) and the Consultative Group meeting (2015) been addressed? What have been the key milestones/changes in the FIRST Initiative and what are the implications for implementation of Phases III and IV?</td>
<td>Percentage of recommendations that have been addressed, with explanations for deviations as required. Types of key milestones including changes in demand for FIRST services, needs of targeted beneficiaries, financial and human resource bases, funders’ priorities, operating structure, and so forth</td>
<td>Review of FIRST documents including strategies Interviews with key stakeholders in the WBG, IMF and FIRST donors</td>
<td>Table examining the status of the recommendations Chart/diagram listing the key FIRST milestones since 2002 and implications for the FIRST Initiative</td>
</tr>
<tr>
<td><strong>External Context</strong></td>
<td>What have been the key effects (positive/negative) of FIRST’s external context on the Initiative’s past or future performance?</td>
<td>How has the change in FSAP resource allocation affected the demand/support for focused financial sector TA? What are the other national, regional and global policies and trends affecting the demand, and support for, focused financial sector TA? What do these imply for the FIRST Initiative?</td>
<td>Types and effects of key trends in financial and other support (e.g. FSAP resource allocation) for stable, more efficient and inclusive financial systems in WB, IMF and relevant bilateral donors and multilateral institutions (e.g. WB ASA reforms)</td>
<td>Desk research and literature review Document review Interviews with key stakeholders (WBG, IMF, FIRST donors and clients in countries selected for field visits) Expert opinion</td>
<td>Description of the key trends in the demand for, and availability of domestic/international support for stable, more efficient and inclusive financial systems in LICs and MICs Description of the key trends in the needs, demands, and availability of domestic/international support for financial</td>
</tr>
<tr>
<td>FOCI</td>
<td>KEY QUESTIONS</td>
<td>SUB-QUESTIONS</td>
<td>ILLUSTRATIVE INDICATORS</td>
<td>SOURCES OF DATA</td>
<td>DATA ANALYSIS TOOL/FRAMEWORK</td>
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<td></td>
<td>What are the implications of the WB ASA reform/Programmatic approach for Phases II and IV of FIRST?</td>
<td>Types of needs of different categories of LICs and MICs seeking stable, more efficient and inclusive financial systems</td>
<td>sector strengthening (in the Banking, Insurance, Capital markets, Financial infrastructure, Micro-Finance sub-sectors) in LICs and MICs</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>What have been other key policy, funding, operational and/or management changes in the WBG and IMF that have implications for implementation of Phases III and IV</td>
<td></td>
<td>Notable effects of the identified trends on actual/potential demand for the kinds of services offered by FIRST</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>What are the key needs of LICs and MICs seeking stable, more efficient and inclusive financial systems?</td>
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</tbody>
</table>

**FIRST Business Model and Management Effectiveness**

| Relevance | To what extent is the strategic focus of the FIRST Initiative relevant in the global financial sector development space? | (i) To what extent are each of FIRST’s strategic foci still relevant in the global financial sector development space, considering FIRST’s comparative advantages: - demand-driven approach - FIRST goals: Stability, Depth, Inclusion, Efficiency - FIRST sectors | Percentage of interviewed clients, WBG/IMF partners, donors and practitioners who indicate that FIRST’s strategic foci continue to be relevant Frequency and nature of identified needed changes in FIRST’s strategic foci by client countries, WBG/IMF partners, donors and practitioners | FIRST document reviews Interviews with key stakeholders (WBG, IMF, FIRST donors and clients in countries selected for field visits) | Tables/charts summarizing stakeholders’ views about the continued relevance of FIRST’s strategic foci |

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67This section encompasses evaluation questions related to FIRST’s business model and management effectiveness in the TOR. The evaluation team has grouped the evaluation questions into four categories: relevance, appropriateness of design, status of Phase III Strategy Priorities and FIRST operational policies and practices.
<table>
<thead>
<tr>
<th>FOCI</th>
<th>KEY QUESTIONS</th>
<th>SUB-QUESTIONS</th>
<th>ILLUSTRATIVE INDICATORS</th>
<th>SOURCES OF DATA</th>
<th>DATA ANALYSIS TOOL/FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>- focus on Africa (50%)</td>
<td>Types and frequency of benefits identified by FIRST clients, donors, implementing partners and others in the financial sector development community</td>
<td>FIRST document reviews (including previous client surveys)</td>
<td>Tables/charts summarizing stakeholders’ views about FIRST’s benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- focus on MICs (2/3)? What changes in FIRST’s strategic foci should FIRST’s donors and implementing partners consider going forward and why?</td>
<td></td>
<td>Interviews with key stakeholders (WBG, IMF, FIRST donors and clients in countries selected for field visits)</td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td></td>
<td>(ii) What is the value added by FIRST to its clients and partners?</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>(xii)</td>
<td></td>
<td>(xii) Is FIRST’s gender approach adequate to address issues of gender inequality? If needed, what can be done to improve it?</td>
<td>Percentage of interviewed stakeholders who indicate that FIRST’s approach and actions have been adequate and appropriate to realize intended objectives</td>
<td>FIRST document reviews and reports</td>
<td>Table summarizing the status of FIRST actions, achievements, shortcomings and areas for future action/support vis-à-vis i) its objectives related to gender mainstreaming; ii) World Bank guidance regarding gender mainstreaming</td>
</tr>
<tr>
<td>(xiii)</td>
<td></td>
<td>(xiii) Is FIRST’s gender approach implemented properly? What lessons should be learned moving forward? Does FIRST have adequate buy-in and support to realize its objectives vis-à-vis gender mainstreaming?</td>
<td>Percentage of interviewed stakeholders who indicate that FIRST stakeholders in the WB and IMF have demonstrated adequate buy-in to the gender mainstreaming agenda</td>
<td>Interviews with key stakeholders (WBG, IMF, FIRST donors, and clients in countries selected for field visits)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Percentage of interviewed stakeholders who indicate that</td>
<td>Expert opinion</td>
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<thead>
<tr>
<th>FOCI</th>
<th>KEY QUESTIONS</th>
<th>SUB-QUESTIONS</th>
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<th>SOURCES OF DATA</th>
<th>DATA ANALYSIS TOOL/FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriateness of FIRST Design</td>
<td>To what extent is the current FIRST funding modality effective and efficient? (iii) To what extent is the current funding modality (2 Windows, 4 funding buckets, fixed WB/IMF allocations (85%/15%) effective as a partnership contribution model for achieving financial sector development goals? What changes in the Funding Model should FIRST’s donors and implementing partners consider going forward and why?</td>
<td>FIRST has adequate financial and technical support to realize gender mainstreaming objectives Nature/amount of financial and technical resources available to FIRST for gender mainstreaming support</td>
<td>Percentage of interviewed, WBG/IMF partners, donors and practitioners who indicate that the current FIRST funding model is effective and efficient in supporting realization of financial sector development goals Frequency of identified strengths and areas for improvement in the funding model</td>
<td>FIRST document reviews Interviews with key stakeholders (WBG, IMF, FIRST donors)</td>
<td>Summary of stakeholders’ feedback on the effectiveness and efficiency of the current funding model in achieving clients’ financial sector goals.</td>
</tr>
<tr>
<td></td>
<td>To what extent is the Catalytic Window design effective for meeting clients needs and supporting financial sector development? (iv) To what extent do the following elements of the Catalytic Window design contribute to meeting the TA needs of clients: 24-month timeframe - budget ceiling of USD 500,000 - eligibility criteria? (v) To what extent is the Catalytic Window appropriately designed to meet client needs? Frequency of identified Catalytic Window design strengths and areas for improvement Degree of alignment between</td>
<td>Percentage of interviewed client countries, WBG/IMF partners, donors and practitioners who indicate that the Catalytic Window is appropriately designed to meet client needs Frequency of identified Catalytic Window design strengths and areas for improvement</td>
<td>FIRST document reviews Interviews with key stakeholders (WBG, IMF, FIRST donors, and clients in countries selected for field visits)</td>
<td>Table summarizing stakeholders’ feedback on the strengths and areas for improvement in the Catalytic Window Design</td>
<td></td>
</tr>
<tr>
<td><strong>FOCI</strong></td>
<td><strong>KEY QUESTIONS</strong></td>
<td><strong>SUB-QUESTIONS</strong></td>
<td><strong>ILLUSTRATIVE INDICATORS</strong></td>
<td><strong>SOURCES OF DATA</strong></td>
<td><strong>DATA ANALYSIS TOOL/FRAMEWORK</strong></td>
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<td></td>
<td><strong>To what extent is the Programmatic Window design effective for meeting clients needs and supporting financial sector development?</strong></td>
<td>(vii) To what extent is the design of Programmatic Window appropriate to generate tangible impacts (Inclusion, Stability, and Depth) as well as increase the sustainability of results? (viii) What are the factors (either internal or external) that may have contributed to the initial slow uptake of the Programmatic Window? What adjustments or improvements, if any, should FIRST donors and partners consider for this Window going forward (e.g. eligibility criteria, targets, approval process, results framework)?</td>
<td>Percentage of interviewed client countries, WBG/IMF partners, donors and practitioners who indicate that the Programmatic window is appropriately designed to realize impacts and sustainability objectives Frequency of identified Programmatic Window design strengths and areas for improvement</td>
<td>FIRST document reviews Interviews with key stakeholders (WBG, IMF, FIRST donors, and clients in countries selected for field visits and consultants who provided TA) Telephone interviews with Programmatic Window clients Expert opinions</td>
<td>Table summarizing stakeholders’ feedback on the strengths and areas for improvement in the Programmatic Window Design</td>
</tr>
<tr>
<td></td>
<td><strong>To what extent is the FSDIP an effective tool for</strong></td>
<td>(ix) To what extent is the FSDIP instrument appropriately designed to</td>
<td>Percentage of interviewed client countries, WBG/IMF partners, donors and practitioners who</td>
<td>FSDIP document reviews Interviews with key</td>
<td>Table summarizing stakeholders’ feedback on the strengths and</td>
</tr>
<tr>
<td>FOCI</td>
<td>KEY QUESTIONS</td>
<td>SUB-QUESTIONS</td>
<td>ILLUSTRATIVE INDICATORS</td>
<td>SOURCES OF DATA</td>
<td>DATA ANALYSIS TOOL/FRAMEWORK</td>
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<td></td>
<td>meeting clients needs and supporting financial sector development?</td>
<td>provide client countries with analytical basis for prioritized and well-sequenced financial sector reforms in the absence of FSAPs?</td>
<td>indicate that the FSDIP is appropriately designed  Frequency of identified FSDIP design strengths and areas for improvement  Frequency of lessons learned related to FSDIP implementation</td>
<td>stakeholders (WBG, IMF, FIRST donors, and consultants who provided TA)  Telephone interviews with FSDIP clients  Expert opinions</td>
<td>areas for improvement in the FSDIP Design Case study (see draft outline Section 3.4)</td>
</tr>
<tr>
<td></td>
<td>(x) Should FIRST continue to offer this TA instrument going forward? What lessons can be drawn from its implementation thus far, and what improvements if any should FIRST donors and its partners consider?</td>
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</tbody>
</table>

**Status of Phase III Strategy Priorities**

| (xii) To what extent are Phase III Operational Targets achieved or likely to be achieved? | Percentage of Phase III operational targets related to FIRST focus that have been realized  Explanations for significant variances in achievements | Review of FIRST’s Operational target tracker reports to donors and the FIRST data base of projects and programs for Phase III  Interviews with WBG, IMF, FIRST donors | Comparison of planned/actual status of FIRST targets at December 31, 2016

68 Assuming such information is provided by FIRST in January 2017; if not, June 2016 data will be used instead.
<table>
<thead>
<tr>
<th>FOCI</th>
<th>KEY QUESTIONS</th>
<th>SUB-QUESTIONS</th>
<th>ILLUSTRATIVE INDICATORS</th>
<th>SOURCES OF DATA</th>
<th>DATA ANALYSIS TOOL/FRAMEWORK</th>
</tr>
</thead>
</table>
| KM agenda put forward in FIRST guiding documents? | elements of the KM agenda put forward in the Phase III Strategy:  
- developing and disseminating Best Practice Notes?  
- fund small research initiatives with the WBG and IMF  
- leverage flagship reports and events  
- organize consultative group meetings?  
- ?  
To what extent has FIRST effectively implemented elements of the KM agenda put forward in the Operational Targets:  
- Website functions  
- Capturing Lessons Learned  
- Disseminate lessons  
- Project completion reports  
- Output and outcome monitoring  
- Donor reporting  
- Client surveys  
What enhancements should FIRST consider to strengthen its KM agenda going forward? | Performance meeting Phase III Operational Targets  
Percentage of interviewed WBG/IMF partners and donors who indicate that FIRST has effectively implemented its KM agenda  
Percentage of KM agenda objectives realized at June 30, 2016 and explanation for significant variances  
Frequency of identified strengths and areas for improvement in FIRST KM agenda design/ implementation | FIRST document reviews  
Interviews with key stakeholders (WBG, IMF, FIRST donors, and clients in countries selected for field visits)  
Expert opinions | visions set out in the 2014 Action Plan (p.3) |

xviii) How is the What do FIRST Frequency of FIRST Table summarizing the
<table>
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<tr>
<th>FOCI</th>
<th>KEY QUESTIONS</th>
<th>SUB-QUESTIONS</th>
<th>ILLUSTRATIVE INDICATORS</th>
<th>SOURCES OF DATA</th>
<th>DATA ANALYSIS TOOL/FRAMEWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST brand perceived by its stakeholders (clients, partners, and financial sector development community)? To what extent has FIRST been effective in strengthening its brand?</td>
<td>stakeholders identify as the specific brand traits of FIRST? How is FIRST’s brand perceived as different from other providers of financial sector TA? What measures have FIRST staff and donors taken to promote the visibility of FIRST? How effective were these measures? What measures should be be taken in the future to strengthen the brand identity of FIRST?</td>
<td>distinguishing characteristics identified by interviewed client countries, WBG/IMF partners, donors and practitioners Frequency of identified strengths and areas for improvement in FIRST brand</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIRST Operational Policies and Practices</td>
<td>To what extent are FIRST’s operational policies and processes effective for helping FIRST achieve its strategic targets and objectives? (xiv) Have FIRST operations been agile and cost efficient? (xi) How do FIRST’s current operational policies and processes support the achievement of its strategic targets and objectives? What adjustments should be considered going forward? (xiii) How effective has the coordination between the donors, partners (WB and IMF), and FIRST management been? What improvements should be considered going forward?</td>
<td>Percentage of interviewed, WBG/IMF partners, donors and practitioners who indicate that FIRST policies and procedures for designing, planning, managing, reporting about the FIRST initiative are effective and efficient given FIRST objectives Percentage of interviewed, WBG/IMF partners, donors and practitioners who indicate that FIRST policies and procedures for reviewing, selecting, approving, and managing FIRST projects and programs are</td>
<td>FIRST document reviews and reports Interviews with key stakeholders (WBG, IMF, FIRST donors) Focus Groups/ interviews with selected TTLs and TLs Expert opinion</td>
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</table>

69 Monitoring and reporting are examined separately in the following sub-question
<table>
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<tr>
<th>FOCI</th>
<th>KEY QUESTIONS</th>
<th>SUB-QUESTIONS</th>
<th>ILLUSTRATIVE INDICATORS</th>
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<th>DATA ANALYSIS TOOL/FRAMEWORK</th>
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<tr>
<td></td>
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<td>Have FIRST operations been conducted within the budget and timeframe set out in annual planning documents? Has FIRST implemented measures to improve the cost efficiency of FIRST operations? What adjustments should be considered going forward?</td>
<td>effective and efficient Frequency and types of identified strengths and areas for improvement in FIRST coordination processes by surveyed/interviewed, WBG/IMF partners, donors Stakeholders’ satisfaction with the timeliness and effectiveness of FIRST coordination processes Percentage of FIRST expenditures used for administration Percentage of stakeholders who perceive that FIRST operations are cost efficient</td>
<td>on the adequacy of FIRST coordination processes and the status of the coordination actions included in the FIRST strategy (2012) p. 17 Summary of FIRST stakeholder perceptions on the cost efficiency of FIRST operations Graph depicting change in administration costs as a proportion of total FIRST expenditures from 2013-2016</td>
</tr>
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<td>To what extent are FIRST’s M&amp;E Framework, systems and practices appropriate and effective?</td>
<td>Percentage of surveyed/interviewed WBG/IMF partners, donors who indicate that i) FIRST’s M&amp;E frameworks, systems and practices are appropriate and effective; ii) that reports are timely and frequent enough; iii) that there is a good balance between internal and external monitoring and evaluation practices Frequency of identified strengths and areas for improvement in FIRST M&amp;E frameworks systems and practices</td>
<td>Summary of stakeholders’ feedback on the appropriateness and effectiveness of FIRST’s M&amp;E framework, system and practices Tables summarizing the strengths and weaknesses of Monitoring and Evaluation Frameworks, systems and practices emerging based on the document reviews</td>
</tr>
</tbody>
</table>
## KEY QUESTIONS

**FOCI**

**ILLUSTRATIVE INDICATORS**

- Adequacy and effectiveness of the following systems at the levels of i) FIRST projects, ii) programs and iii) the overall FIRST initiative:
  - FIRST’s monitoring and evaluation systems are designed and resourced adequately
  - FIRST’s monitoring systems are generating the information needed to support timely decision-making and manage risks associated with FIRST investments
  - FIRST’s monitoring systems are generating adequate and credible information about the developmental and operational performance of FIRST investments
  - FIRST evaluation systems are generating adequate and credible information about the impacts of FIRST investments

**SOURCES OF DATA**

- Expert opinions

**DATA ANALYSIS TOOL/FRAMEWORK**

- Summary of expert opinions on the appropriateness and effectiveness of FIRST’s M&E framework, system and practices

## FIRST Project and Program Performance

<table>
<thead>
<tr>
<th>Relevance</th>
<th>To what extent are FIRST-funded projects and programs relevant to FIRST clients?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(i) To what extent are the activities and outputs of projects and programs consistent with the client countries’ financial sector policies and priorities? (ii) How do clients assess</td>
</tr>
<tr>
<td></td>
<td>Proportion of FIRST Projects and Programs rated as consistent with client countries’ financial sector policies and priorities</td>
</tr>
<tr>
<td></td>
<td>Percentage of client countries satisfied with FIRST services</td>
</tr>
<tr>
<td>In-depth review of FIRST projects and programs</td>
<td></td>
</tr>
<tr>
<td>FIRST Client Survey forms for completed projects</td>
<td></td>
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<tr>
<td>In-depth Project and Program Review Areas (see Appendices 9 and 10)</td>
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<tr>
<td>Graphs summarizing the ratings for FIRST Projects and Programs in terms of</td>
<td></td>
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<tr>
<td>FOCI</td>
<td>KEY QUESTIONS</td>
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<td>-------------------------------------------------------------------------------</td>
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</tbody>
</table>
| Effectiveness | To what extent have FIRST projects and programs achieved their stated objectives? | (i) To what extent have FIRST’s TA recommendations been implemented by client countries? What might be the realistic expectation in terms of timeframe to have recommendations implemented?  
(ii) To what extent were the objectives of completed projects/programs achieved or are likely to be achieved?  
(iii) What is the likelihood of active programs to achieve their objectives?  
(iv) How successful have catalytic projects generated follow-up reforms? | Percentage of completed projects/programs that have realized objectives  
Percentage of active programs that are deemed likely to realize objectives  
Frequency and nature of outputs, outcomes in reviewed FIRST projects and programs | Client Survey  
Interviews with key stakeholders (WBG, IMF, FIRST donors, and clients in countries selected for field visits)  
Expert opinions.  
FIRST M&E Excel Sheet summarizing project and program outputs, outcomes and impacts  
Client survey | their relevance, effectiveness, efficiency, impacts, and sustainability of results.  
Table summarizing notable trends in FIRST outputs, outcomes impacts by Window, sector, LIC/MIC, IMF/WB, region as available and appropriate |
| Efficiency | To what extent were FIRST projects and programs delivered efficiently? | (v) Have projects and programs cost more or less than planned? How do actual costs of similar activities compare?  
(vi) Have projects/programs been operated within budget and in a timely manner  
Explanation of significant variances | Percentage of FIRST projects/programs that have operated within budget and in a timely manner  
Explanation of significant variances | In-depth project and program reviews  
Interviews with FIRST clients  
Documents including GRM | Table summarizing notable trends in variations of planned/actual expenditures of FIRST projects and program |
## FOCI

<table>
<thead>
<tr>
<th>Key Questions</th>
<th>Sub-Questions</th>
<th>Illustrative Indicators</th>
<th>Sources of Data</th>
<th>Data Analysis Tool/Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Impacts</strong></td>
<td>To what extent have FIRST-funded project and programs led to preliminary impacts in client countries?</td>
<td>(vii) What differences have completed projects and programs made or are likely to make for client countries? (viii) To what extent has the introduction of the Programmatic Window helped to strengthen FIRST impact?</td>
<td>Frequency and types of identified operational effects and impacts identified by FIRST client countries Frequency and type of identified benefits of the Programmatic Window</td>
<td>Table summarizing notable trends in FIRST operational effects and impacts by Window</td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>To what extent have the results of FIRST projects/programs support been sustained, or likely to be sustained?</td>
<td>(ix) To what extent have projects/programs been designed and implemented to ensure sustainability after TA completion? What could be done more? (x) To what extent has FIRST, through the use of local consultants, had an impact on building local capacities and knowledge? (xi) To what extent do projects and programs build on/are harmonized with other existing donor initiatives, established local</td>
<td>Percentage of reviewed completed activities that indicate evidence of actual/potential sustainability Percentage of reviewed activities that explicitly take sustainability concerns into account during the design and implementation stages Percentage of reviewed projects/programs that are harmonized with other initiatives</td>
<td>Table summarizing notable trends in the sustainability of results by FIRST window Table summarizing notable trends in FIRST projects in building local capacities and knowledge Table summarizing trends in the harmonization of FIRST projects and programs with other initiatives</td>
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<td>FOCI</td>
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<td>SUB-QUESTIONS</td>
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<tr>
<td></td>
<td></td>
<td>structures, institutions and processes?</td>
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**Recommendations and Lessons Learned**

**Recommendations**

- What are the key changes, if any, needed to enhance the performance of i) the overall FIRST Initiative, ii) the Catalytic Window, iii) the Programmatic Window, and iv) FSDIP?

- Number and types of changes needed

- Previous analysis

**Lessons learned**

- What are the key operational and developmental lessons learned?
### Appendix III  List of Persons Consulted

<table>
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<tr>
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<td>FIRST</td>
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<td>Jonas Frank</td>
<td>Deputy Head, Macroeconomic Support Division</td>
<td>State Secretariat for Economic Affairs (SECO); Economic Development Cooperation</td>
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<tr>
<td></td>
<td>representatives</td>
<td>Sandra Louiszoon</td>
<td>TBD</td>
<td>Netherlands Ministry of Foreign Affairs</td>
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<tr>
<td></td>
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<td>Mike Foster</td>
<td>Financial Sector Specialist, Private and Financial Sector Development</td>
<td>Department for International Development (DfID)</td>
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<td></td>
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<td>Geraint Tudor-Jones</td>
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<td></td>
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<td>Francesco XXX</td>
<td>TBD</td>
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<td>Makaio Witte</td>
<td>TBD</td>
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<td>Rosmarie Schlup</td>
<td>TBD</td>
<td>State Secretariat for Economic Affairs (SECO); Economic Development Cooperation</td>
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<td>Aditya Narain</td>
<td>Deputy Director</td>
<td>International Monetary Fund (IMF) Monetary and Capital Markets Dpt (MCM)</td>
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<td></td>
<td></td>
<td>Alfonso Garcia Moro</td>
<td>Director, Finance &amp; Markets</td>
<td>The World Bank</td>
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70 This list will be revised in March 2017 to address errors and omissions.
### Entity

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<td>PAC members</td>
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<td>Lily Chu</td>
<td>Former Advisor, Finance &amp; Market Manager, Operations Policy and Quality Unit</td>
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<td>Current PMU staff</td>
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<td>Conso Rusaga</td>
<td>Manager, FIRST</td>
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<td>Moni Sengupta</td>
<td>Senior Financial Sector Specialist (FIRST Senior Project Officer)</td>
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<tr>
<td></td>
<td></td>
<td>Hanh Le</td>
<td>Senior M&amp;E Specialist</td>
<td>The World Bank</td>
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<tr>
<td></td>
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<td>Emiko Todoroki</td>
<td>Senior Financial Sector Specialist (FIRST Senior Project Officer)</td>
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<td></td>
<td></td>
<td>Renske Van der Kooi</td>
<td>Financial Sector Specialist, Gender Champion</td>
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<td></td>
<td>Marlon Rawlins</td>
<td>Financial Sector Specialist</td>
<td>The World Bank</td>
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<td>World Bank Group</td>
<td>Practice Managers, Finance &amp; Markets GP</td>
<td>Irina Astrakhan</td>
<td>Practice Manager, EAP (used to cover AFR)</td>
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<td>Niraj Verma</td>
<td>Practice Manager, SAR</td>
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<td></td>
<td></td>
<td>Rolf Behrndt</td>
<td>Practice Manager, ECA</td>
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<tr>
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<td>Douglas Pearce</td>
<td>Practice Manager, Responsible Access and Payment &amp; Market Infrastructure</td>
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<tr>
<td>TTLs who engaged in 3+ FIRST activities(^1)</td>
<td></td>
<td>Gabriel G Sensenbrenner</td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>Gunhild Berg</td>
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<td></td>
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<td>Fadwa Bennani</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Patricia Caraballo</td>
<td>-</td>
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<td></td>
<td></td>
<td>Julian Casal</td>
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\(^1\) The TTLs suggested here are included as they were ‘frequent users’ according to the excel spreadsheet Total Projects (Completed and Active) as of June 2016, provided by the PMU. If possible, the TTLs will be interviewed in a focus group during the data collection mission to Washington. Otherwise, the evaluation team will interview a sample of TTLs by telephone.
The TLs suggested here are included as they worked on 3+ FIRST activities according to the excel spreadsheet Total Projects (Completed and Active) as of June 2016, provided by the PMU. If possible, the TLs will be interviewed in a focus group during the data collection mission to Washington. Otherwise, the evaluation team will interview a sample of TLs by telephone.
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<td></td>
<td>Representative of Institute for Capacity Development, Global Partnerships Division</td>
<td>Xiangming Li</td>
<td>Deputy Division Chief</td>
<td>International Monetary Fund (IMF)</td>
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<tr>
<td></td>
<td>Senior Financial Sector Experts involved in FIRST activities</td>
<td>Judit Vadasz</td>
<td>Senior Economist</td>
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<tr>
<td></td>
<td></td>
<td>Diane Mendoza</td>
<td>Senior Financial Sector Expert</td>
<td>-</td>
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<tr>
<td></td>
<td></td>
<td>Steve Swaray</td>
<td>Senior Economist</td>
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<td></td>
<td></td>
<td>Romaine Veyrune</td>
<td>Senior Economist</td>
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<tr>
<td></td>
<td></td>
<td>Dilek Goncalves</td>
<td>Senior Financial Sector Expert</td>
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**Rwanda**

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<td>Financial Stability</td>
<td>John Rwangombwa</td>
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<td></td>
<td></td>
<td>Pease Uwase</td>
<td>Director of Financial Stability</td>
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<td></td>
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<td>Francoise Kagoyire, Director Bank Supervision</td>
<td>Department of Financial Stability</td>
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<td></td>
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<td>Bernard Nsengiyumva</td>
<td>Department of Financial Stability</td>
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<td>SORAS Ltd</td>
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<td>Fiacre Birasa</td>
<td>Managing Director</td>
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<td>IMF</td>
<td>Resident Representative Office</td>
<td>Alun Thomas</td>
<td>Resident Representative</td>
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<tr>
<td>KFW</td>
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<td>Markus Baer</td>
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<td>Rwanda Social Security Board</td>
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<td>Jonathan Gatera</td>
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### Morocco

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<td>Ministry of Economy and Finance</td>
<td>Direction of the Treasury and External Finance</td>
<td>Mr Nouaman Al Aissami</td>
<td>Deputy Director, Head of Financial Sector</td>
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<tr>
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<td>Mr El Hassan Eddez</td>
<td>Deputy Director, Head of Debt Office</td>
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<td>Bank Al-Maghrib</td>
<td>Payment Systems and Instruments Oversight and Financial Inclusion Division</td>
<td>Asmaa Bennani</td>
<td>Head of Payment Systems and Instruments Oversight and Financial Inclusion Division</td>
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<td></td>
<td>Banking Supervision Department</td>
<td>Hiba Zahoui</td>
<td>Director</td>
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<tr>
<td>Capital Markets Authority (Autorité Morocaine du Marché des Capitaux)</td>
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<td>Hicam El Alamy</td>
<td>Director</td>
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<td>Supervisory Authority for Insurance and Social Welfare (Autorité de contrôle des assurances et de la prévoyance)</td>
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<td>Othman El Alamy</td>
<td>General Secretary</td>
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<td>African Development Bank</td>
<td>-</td>
<td>Vincent Castel</td>
<td>Chief Country Economist</td>
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<tr>
<td>Casablanca Stock Exchange</td>
<td>-</td>
<td>Ahmed Arharbi</td>
<td>Chief Operating Officer</td>
</tr>
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<td>Attijariwafa Bank</td>
<td>Global Corporate and Investment Banking</td>
<td>Youssef Rouissi</td>
<td>Deputy General Manager</td>
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**Lesotho**

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<td>Central Bank of Lesotho</td>
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<td>Adelaide R Matlanyane</td>
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<td>M P Makhetla</td>
<td>Deputy Governor</td>
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<td></td>
<td>Mokotjo Mphaka</td>
<td>Director of Supervision</td>
<td></td>
</tr>
<tr>
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<td>Bafokeng Noosi</td>
<td>Head, Non-Bank Supervision</td>
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<td></td>
<td>Ephraim Moremoholo</td>
<td>Chief PRO, Corporate Affairs Dept.</td>
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<td>Tsireletso Phakoe</td>
<td>FSDS co-ordinator</td>
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<td></td>
<td>Ketelo Nkobele</td>
<td>Legal Counsel for Legislative Development</td>
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<td>Commercial Banks</td>
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<td>Mpho Vumbukani</td>
<td>CEO, Standard Lesotho Bank</td>
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<td>Martin Knollys</td>
<td>CEO, FNB Lesotho</td>
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<td>Teboho Shelile</td>
<td>Head of Treasury, Nedbank Lesotho</td>
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<td>Molefi Leqhaoe</td>
<td>Managing Director, Lesotho Postbank</td>
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<td>Head, Corporate Services, Metropolitan</td>
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<td>Mamphono Khaketla (Ms)</td>
<td>Metropolitan</td>
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<td>Tsepo Ntaopane</td>
<td>Executive Head, Corporate Affairs, Vodacom</td>
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<td>P Mpota</td>
<td>General Manager Boliba (SACCO)</td>
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<td>Risk Manager, Boliba</td>
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<td>Setlaba Monahaneg</td>
<td>Co-operatives and Marketing</td>
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<td>Maphamoli Lekoetje (Ms)</td>
<td>Acting Director, Department of Small Business</td>
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<td>Makatleho Matabooe (Dr)</td>
<td>Development Commissioner for Co-operatives</td>
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<td>Semethe Raleche</td>
<td>CEO, BEDCO</td>
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<td>Manager Investment Promotion, LNDC</td>
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<tr>
<td>Development Partners</td>
<td></td>
<td>Janet Entwistle</td>
<td>Resident Representative, World Bank</td>
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<td>Palesa Sematlane (Ms)</td>
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### Appendix IV  Documents Reviewed

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| **FIRST Internal Documents** | FIRST. Gender Project Database, October 2016.  
FIRST. Gender Project Database, 2016.  
FIRST. Mainstreaming Gender in FIRST Operations – Proposal to GC, December 2015.  
FIRST. FIRST and Gender Mainstreaming - Discussion Note, May 2015.  
FIRST. Phase III Targets Tracker, June 2016.  
FIRST. Results Tracker (MASTER), June 2016.  
FIRST. Mainstreaming Gender in FIRST Operations – Proposal to GC, December, 2015.  
FIRST. Programmatic Window: Targets and Indicators Guideline, December 5, 2014.  
FIRST. FIRST Phase III Strategy, July 2012.  
FIRST Phase II Evaluation Instruments, no date.  
FIRST. Dropped-Rejected Projects Phase III, no date.  
FIRST. Updated log frame indicating achievements against output indicators following 1st annual review, January 2015  
FIRST. Project-Program Conversion, no date.  
FIRST. Statistics on project extension, no date. |
FIRST. FIRST Quarterly Update_Q4_FY16.  
FIRST. FIRST Quarterly Update_Q3_FY16.  
FIRST. FIRST Quarterly Update_Q2_FY16.  
FIRST. FIRST Quarterly Update_Q1_FY16.  
FIRST. FIRST Quarterly Update_Q4_FY15.  
FIRST. FIRST Quarterly Update_Q3_FY15.  
FIRST. FIRST Quarterly Update_Q2_FY15.  
FIRST. FIRST Quarterly Update_Q1_FY15. |
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<td>FIRST. Total Project List (Completed and Active) as of June 2016. (2016).</td>
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<td>FIRST. Phase II Projects, October 2016.</td>
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<td>FIRST. Phase I Projects, October 2016.</td>
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<td>FIRST. Concept Note: Proposed FIRST Catalytic Eligible Category: Financial Sector Development Implementation Plan (FSDIP), December 13, 2013.</td>
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<td>FIRST. FSDS Mozambique, October 2012.</td>
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<td>FIRST. FSDS Rwanda, October 2012.</td>
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<td>FIRST. FY16 Operational Update Note. (July 1 2015 – April 30 2016). (2016)</td>
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<td>FIRST Initiative. Minutes of the Virtual Governing Council Meeting. Washington, October 20,</td>
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| FIRST Project and Program documents | The evaluation team also reviewed over 60 documents related to five FIRST programs and over 400 documents related to 40 FIRST projects that were reviewed for the evaluation (37 complete projects and 3 ongoing projects). The complete list of projects and programs reviewed is in Appendix V. |
Appendix V  List of Projects and Programs Reviewed

**FIRST Catalytic Projects for Field Visits**

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<th>COUNTRY</th>
<th>PROJECT NAME AND NUMBER</th>
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<td>Lesotho</td>
<td>Lesotho B062 Insurance &amp; Pensions</td>
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<tr>
<td>Morocco</td>
<td>Morocco A032 Supervision and regulations for non-bank payment service providers</td>
</tr>
<tr>
<td>Morocco</td>
<td>Morocco A061 Capital Market Legal and Regulatory Framework</td>
</tr>
<tr>
<td>Morocco</td>
<td>Morocco A062 Supervision of Financial Conglomerates and Crisis Preparedness (ongoing, not rated by evaluation team)</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Rwanda: Strengthening Financial Stability Program (catalytic project embedded in the program)</td>
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**FIRST Catalytic Projects Reviewed & Rated**

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<tr>
<td>Albania</td>
<td>Pension Supervision and Coverage</td>
<td>B004</td>
<td>Albanian Financial Supervisory Authority</td>
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<tr>
<td>Bhutan</td>
<td>Financial sector Development Implementation Plan</td>
<td>A060</td>
<td>Royal Monetary Authority of Bhutan</td>
</tr>
<tr>
<td>Colombia</td>
<td>Pensions Reform</td>
<td>A064</td>
<td>Unidad de Proyeccion Normativa y Estudios de Regulacion Financiera (URF)</td>
</tr>
<tr>
<td>Colombia</td>
<td>Strengthening SROs Framework</td>
<td>A056</td>
<td>Ministry of Finance</td>
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<tr>
<td>Colombia</td>
<td>Improving Access to Housing Finance for Low-income and Informally employed segments</td>
<td>A006</td>
<td>Fond Nacional de Ahorro (FNA)</td>
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<tr>
<td>Colombia</td>
<td>Strengthening Deposit Insurance for Cooperatives</td>
<td>A066</td>
<td>Fondo de Garantias de Entidades Cooperativas</td>
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<tr>
<td>Costa Rica</td>
<td>An Analytical Framework for Assessing Systemic Risk</td>
<td>A010</td>
<td>Central Bank of Costa Rica</td>
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<tr>
<td>Costa Rica</td>
<td>Pensions Reform: Risk-Based Supervision</td>
<td>A030</td>
<td>SUPEN de Pensiones (SUPEN)</td>
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<td>Djibouti</td>
<td>Operationalization of MSME Credit Guarantee Fund</td>
<td>A047</td>
<td>Central Bank of Djibouti</td>
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<tr>
<td>Ethiopia</td>
<td>Improving Efficiency of Payment Systems</td>
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<td>National Bank of Ethiopia</td>
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<tr>
<td>COUNTRY</td>
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<tr>
<td>Indonesia</td>
<td>Constructing a Robust Mortgage Market</td>
<td>A059</td>
<td>BAPPENAS: National Planning Agency, and Ministry of Housing</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Constructing a Robust Mortgage Market</td>
<td>A058</td>
<td>BAPPENAS: National Planning Agency</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Payments System Upgrade Implementation</td>
<td>C007</td>
<td>Bank Indonesia</td>
</tr>
<tr>
<td>Jordan</td>
<td>Payment System Reforms</td>
<td>A020</td>
<td>Central Bank of Jordan</td>
</tr>
<tr>
<td>Lebanon</td>
<td>Development of National Payments Systems Strategy</td>
<td>A012</td>
<td>Central Bank of Lebanon (BDL)</td>
</tr>
<tr>
<td>Libya, Morocco, Palestine/West Bank &amp; Gaza (WBG) and Tunisia</td>
<td>Strengthening Insurance Supervision in the MENA Region</td>
<td>A007</td>
<td>Insurance Regulatory Authorities of Libya, Morocco, Palestine/WBG and Tunisia</td>
</tr>
<tr>
<td>Libya, Morocco, Palestine/West Bank &amp; Gaza (WBG) and Tunisia</td>
<td>Strengthening Insurance Supervision in the MENA Region</td>
<td>A007</td>
<td>Insurance Regulatory Authorities of Libya, Morocco, Palestine/WBG and Tunisia</td>
</tr>
<tr>
<td>Mexico</td>
<td>Implementation of Risk-Based Supervision</td>
<td>A067</td>
<td>Comisión Nacional Bancaria y de Valores (CNBV) (National Banking and Securities Commission)</td>
</tr>
<tr>
<td>Mongolia</td>
<td>Payments System Oversight</td>
<td>A065</td>
<td>Bank Of Mongolia</td>
</tr>
<tr>
<td>Morocco</td>
<td>Oversight and regulation of non-bank payment service providers</td>
<td>A032</td>
<td>Bank Al-Maghrib, Central Bank of Morocco</td>
</tr>
<tr>
<td>Morocco</td>
<td>Capital Markets Legal and Regulatory Framework</td>
<td>A061</td>
<td>Ministry of Economy and Finance</td>
</tr>
<tr>
<td>Mozambique</td>
<td>Debt Market Development</td>
<td>A041</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Namibia</td>
<td>Developing a CSD and Enhancing Payments System Oversight</td>
<td>A004</td>
<td>Bank of Namibia</td>
</tr>
<tr>
<td>Nepal</td>
<td>Bank Resolution Capacity Building</td>
<td>B043</td>
<td>Ministry of Finance and Nepal Rastra Bank</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Strengthening Deposit Insurance Reserve Targeting</td>
<td>A045</td>
<td>Nigeria Deposit Insurance Corporation</td>
</tr>
<tr>
<td>Paraguay</td>
<td>Financial Inclusion Strategy</td>
<td>A036</td>
<td>Central Bank of Paraguay</td>
</tr>
<tr>
<td>Philippines</td>
<td>Crisis Preparedness Framework II</td>
<td>A019</td>
<td>Bangko Sentral ng Pilipinas</td>
</tr>
<tr>
<td>Serbia</td>
<td>Strengthening the Mortgage Insurance Sector</td>
<td>A013</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Seychelles</td>
<td>Secured Lending and Collateral</td>
<td>A026</td>
<td>Central Bank of Seychelles</td>
</tr>
<tr>
<td>COUNTRY</td>
<td>FULL NAME OF PROJECT/PROGRAM</td>
<td>PROJECT/PROGRAM NUMBER</td>
<td>CLIENT(S)</td>
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<tr>
<td>Seychelles</td>
<td>Financial Sector Development Implementation Plan</td>
<td>A027</td>
<td>Central Bank of Seychelles</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Implementation of Risk-Based Supervision</td>
<td>A003</td>
<td>Insurance Board of Sri Lanka</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Banking Laws Modernization and Crisis Preparedness</td>
<td>A053</td>
<td>Central Bank of Tunisia</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Establishment of an Asset Management Company</td>
<td>A001</td>
<td>Central Bank of Tunisia</td>
</tr>
<tr>
<td>Tunisia</td>
<td>State Owned Bank Restructuring</td>
<td>A002</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Uganda</td>
<td>Motor Third Party Liability Insurance Project</td>
<td>A063</td>
<td>Insurance Regulatory Authority of Uganda (IRA)</td>
</tr>
<tr>
<td>Ukraine</td>
<td>Ukraine Deposit Guarantee Fund</td>
<td>A025</td>
<td>Ukraine Deposit Guarantee Fund</td>
</tr>
<tr>
<td>West Bank and Gaza</td>
<td>Capital Market Development Phase III</td>
<td>B064</td>
<td>Palestinian Capital Market Authority</td>
</tr>
</tbody>
</table>

**FIRST Programs for Field Visits**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PROJECT NAME AND NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesotho</td>
<td>Lesotho #P9 Financial Inclusion</td>
</tr>
<tr>
<td>Morocco</td>
<td>Morocco #P3 Development of Local Capital Markets and SME Finance</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Rwanda: Strengthening Financial Stability Program (Programmatic)</td>
</tr>
</tbody>
</table>

**FIRST Programs for In-depth Review**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>PROJECT NAME AND NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guatemala</td>
<td>Guatemala MSME Finance Program</td>
</tr>
<tr>
<td>Lesotho</td>
<td>Lesotho #P9 Financial Inclusion</td>
</tr>
<tr>
<td>Morocco</td>
<td>Morocco #P3 Development of Local Capital Markets and SME Finance</td>
</tr>
<tr>
<td>Nepal</td>
<td>Nepal P12: Strengthening Banking Supervision</td>
</tr>
<tr>
<td>Rwanda</td>
<td>Rwanda: Strengthening Financial Stability Program (Programmatic)</td>
</tr>
</tbody>
</table>
## Appendix VI Status of Phase III Operational Targets at 31 December 2016

<table>
<thead>
<tr>
<th>Areas</th>
<th>Targets</th>
<th>Progress as of Dec. 31, 2016</th>
<th>Evaluation Team Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FOCUS</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Regional focus</td>
<td>50% of commitments in Africa</td>
<td><em>Slightly below target:</em> Phase III cumulative share of funds committed to AFR reached 48% as of December 31, 2016. In Q2-FY17, 53% of commitment value went to AFR.</td>
<td></td>
</tr>
<tr>
<td>LIC / MIC allocation</td>
<td>Target 2/3 for LIC (depends on donor contributions)</td>
<td><em>Meeting target:</em> with 62% of cumulative commitment value went to LIC as of Dec. 31, 2016. In Q2-FY17, the approved commitment value for LICs was 54%.</td>
<td></td>
</tr>
<tr>
<td>Financial inclusion</td>
<td>At least 20% of total project window with financial inclusion outcomes</td>
<td><em>Exceeding target:</em> 31% of projects (number, not commitment value) in the Catalytic Window contribute to Financial Inclusion. In the Programmatic Window, 50% (7 out of 14 Programs) focuses on financial inclusion.</td>
<td></td>
</tr>
<tr>
<td><strong>PROJECT FORMULATION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSAP links</td>
<td>66% of projects have links to strategic frameworks; e.g. FSAP &amp; ROSC</td>
<td><em>Below target:</em> 54% of approved projects/programs link to FSAPs/ROSCs. If including the linkage to FSDIP, the ratio is 58%.</td>
<td></td>
</tr>
<tr>
<td>FSDIP Linkage</td>
<td>FSDIP will be instrumental for gap-filling, crowding in, aligning, and prioritizing of follow-up TAs</td>
<td>As of Dec. 2016, 8 FSDIP projects have been approved. Five of these have been completed so far—Lesotho, Seychelles, Bhutan, Liberia, and Sao Tome and Principe. To date, the evidence of FSDIP’s usefulness in reform formulation/prioritization include: 74<em>Lesotho</em>: The FSDIP was approved by the Government in November 2013. It places highest priority on a two-pronged approach to increase financial inclusion.</td>
<td></td>
</tr>
</tbody>
</table>

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73 The Financial Sector Development Plan (FSDP) developed for Lesotho was a Phase II project. As the country did not have FSAP, this FSDP is technically a FSDIP.

74 The FSDP was approved by the Government in November 2013. It places highest priority on a two-pronged approach to increase financial inclusion.
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>financial inclusion by strengthening supply side and increasing demand for financial services. To support the implementation of FSDIP, a number of initiatives are under implementation with assistance from the WB, the IMF, UNCDF, Cenfri, FinMark Trust, IFAD: the WB project includes a component on improving access to finance through private credit bureau, financial leasing and movable collateral registry; the IMF project is on banking supervision, risk based supervision, and national payment systems; the IFAD project is on expanding financial service to rural areas, etc. In September 2015, FIRST approved a program worth $1.5 mil. to support the Government’s financial inclusion agenda through strengthening the legal and supervisory frameworks for MFIs, NBFIs, consumer protection, and partial credit guarantee schemes.</td>
<td>+ Seychelles: The FSDIP was approved by the Government in November 2014. It focuses on five priority areas for reforms considering the potential high impact on individuals, businesses and government agencies and on the overall efficiency and safety of the financial sector. It also addresses consumer protection, financial literacy and ongoing training of financial sector professionals as cross-cutting topics. Seychelles is a high MIC country and is no longer eligible for FIRST’s funding of follow-up reforms. It has successfully secured WB’s assistance through a Reimbursable Advisory Service project worth $538,000 to implement reforms in the areas: i) financial sector regulatory framework; ii) national risk assessment; and iii) credit information system. Resources have been mobilized from AfDB and ICF to implement the strategy (FSDIP) which was supported by FIRST.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>+ Liberia: a program to support the Government of Liberia (GoL) in implementing the recommendations of the FSDIP towards expanding financial inclusion approved by FIRST in November 2016. The program focuses on the following activities: (1) bolstering financial infrastructure through (1a) developing an agent banking regulatory framework, (1b) enhancing the mobile money strategy and regulatory framework, and (1c) fostering payment systems’ development, regulations, and oversight; (2) enhancing the consumer protection framework; (3) bolstering consumers’ financial capability through the design of a financial education strategy, program, and media</td>
</tr>
</tbody>
</table>

74 The Financial Sector Development Strategy developed for Lesotho was funded in Phase II. This was an FSDIP in nature but at that time the FSDIP instrument was not officially launched.
campaign; (4) strengthening the regulatory, supervisory, and governance framework for MFIs; and (5) supporting capacity building and implementation support for the operationalization of the FSDIP, including for the Financial Inclusion and Financial Infrastructure working groups.

+ Bhutan: the Financial Sector Development Action Plan (FSDAP) document was endorsed by the RMA in June 2016 and adopted by Cabinet on September 26, 2016. Five action plans identified as priorities; one implemented (Institutional & Organizational Review of RMA), one in progress (Financial Deepening) for delivery in Oct 2016 and three more (Strengthening NBFI, SME and Payments) to be implemented by FY18.

+ Sao Tome and Principe: An important pillar of the FSDIP is the need to upgrade existing financial infrastructure in order to promote inclusion and development. Two follow-up projects (D005 - Strengthening Bank Resolution and Bank Supervision; and D019 - Strengthening Payment System and Financial Inclusion, totaling US$650,000) have been approved by FIRST to (i) develop the national payments system, improve its oversight, and enhance the legal framework to include all electronic payments and services, and support the implementation of FSDIP recommendations towards greater financial inclusion; and (ii) strengthen the bank resolution and supervision frameworks. One project involving AfDB investments (estimated US$4 million) which will finance the hardware and software and help authorities to obtain Visa/Mastercard PCI-DSS certification, and other aspects in payment systems. A WB Development Policy Loan series is being processed to support the area of access to finance.

### Capacity building to local institutions

<table>
<thead>
<tr>
<th>Capacities</th>
<th>Targets</th>
<th>Progress as of Dec. 31, 2016</th>
<th>Evaluation Team Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% of total consultants’ budget is allocated to local consultants</td>
<td>Exceeding target: 16% of total consultant budget is allocated to local consultant, exceeding the target of 10%.</td>
<td>In our view, this indicator requires review. It is not a good measure of capacity building (see section 4.4)</td>
<td></td>
</tr>
</tbody>
</table>

### Demand driven

<table>
<thead>
<tr>
<th>Capacities</th>
<th>Targets</th>
<th>Progress as of Dec. 31, 2016</th>
<th>Evaluation Team Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>All projects show evidence of client ownership</td>
<td>At the project preparation stage, Client’s letter requesting for TA has become mandatory and is always included with Project Proposal.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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75 At the June 2016 GC Meeting, GC members requested FIRST to report on how projects/programs have helped transfer knowledge to local institutions and the market. The quantitative target (10% of total consultant budget to local consultants) does not adequately convey how FIRST supports the knowledge transfer agenda to increase sustainability of the funded TAs.
### OPERATIONAL TARGETS

<table>
<thead>
<tr>
<th>Areas</th>
<th>Targets</th>
<th>Progress as of Dec. 31, 2016</th>
<th>Evaluation Team Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pace of project approvals</strong></td>
<td>Catalytic window: US 650k (~3 projects) per month over four years</td>
<td>Catalytic Window: Meeting Target $0.8 million approved per month as of Dec. 31, 2016.</td>
<td></td>
</tr>
<tr>
<td>(for a US$ 82 M budget)</td>
<td>Programmatic window: 3 programs per year over three years</td>
<td>Programmatic Window: 14 Programs have been approved as of Dec. 31, 2016.</td>
<td></td>
</tr>
<tr>
<td>Disbursement rates</td>
<td>Within a 20% band of projections based on approval rates and project</td>
<td>22% of projects with disbursement lags by over 20% of the projection.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>and program time lines.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Catalytic Effects</strong></td>
<td>One third of projects in Catalytic Window will generate follow-up</td>
<td>Based on project completion reports, client surveys, and new approvals, there have been</td>
<td>The progress report</td>
</tr>
<tr>
<td></td>
<td>reforms, with additional resource commitments of 3 times the original</td>
<td>24 follow-up reforms worth nearly $620 million:</td>
<td>conveys some interesting</td>
</tr>
<tr>
<td></td>
<td>FIRST’s grants.</td>
<td>Bhutan FSDIP: Five action plans identified as priorities; one implemented (Institutional</td>
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<tr>
<td></td>
<td></td>
<td>(Financial Deepening) for delivery in Oct 2016 and three more (Strengthening NBFi, SME</td>
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<tr>
<td></td>
<td></td>
<td>and Payments) to be implemented by FY18.</td>
<td>information which</td>
</tr>
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<td>Colombia Pensions: Client implemented an electronic system for pension products (SICOP)</td>
<td>suggests that FIRST has</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and an auction as a mechanism for survivorship and disability insurance. Value unknown.</td>
<td>been very successful.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Colombia Housing Finance: Client mobilized US$150 million to introduce the new housing</td>
<td>However, it</td>
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<tr>
<td></td>
<td></td>
<td>products.</td>
<td>does not report on the</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Djibouti Payments: a new World Bank loan operation (US$2.6 million)</td>
<td>value of original FIRST</td>
</tr>
<tr>
<td></td>
<td></td>
<td>that will finance the purchase and implementation of the software and</td>
<td>grants.</td>
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</table>

76 For reference, 80 out of 355 (24%) projects in Phase II have to date generated additional resources of over $360 million, or roughly 6 times of Phase II’s total project approvals’ value.
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>hardware needed for an Automated Transfer System (ATS).</strong></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td><strong>MENA Insurance:</strong> Palestine authority requested FIRST to help with implementation. The Project B049 Insurance Supervision ($297,374) was approved in April 2015.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td><strong>Ethiopia A038 Payment System:</strong> catalyzed a follow-up project (HiFi) worth $4 mil. to support broader payment system reform in Ethiopia, funded by DFID.</td>
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<td></td>
<td></td>
<td><strong>Kazakhstan Insurance:</strong> In April 2016, the Global Environment Fund (GEF) approved a US$5 million grant to further support the launch of affordable, innovative catastrophe insurance products covering extreme weather and natural disasters, including floods, landslides, and earthquakes.</td>
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<td></td>
<td></td>
<td><strong>Liberia FSDIP:</strong> catalyzed a Program with FIRST (Concept Note stage) worth $1.2 mil.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td><strong>Mongolia Payments:</strong> The strategy, legal framework and oversight work has enabled the Bank of Mongolia revise ADB’s loan administration document which is in line with the strategy. The World Bank is currently undertaking the Financial Sector Development Programmatic Approach TA, the Financial Sector Development Support Program (P157826), under which a component of payment systems strategy implementation is included for US$420,000.</td>
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<td></td>
<td><strong>Seychelles FSDIP:</strong> catalyzed a WB project worth over $500,000.</td>
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<td><strong>Seychelles Collateral Registry:</strong> $50,000 mobilized to develop the software for the Collateral Registry.</td>
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<td></td>
<td><strong>Sao Tome &amp; Principe FSDIP:</strong> catalyzed several follow up reforms, including: two follow-up projects funded by FIRST in the areas of banking supervision and resolution and payment system; one project involving ADB investments (estimated US$4 million) for the payment systems; and one potential WB Development Policy Loan to support access to finance.</td>
<td></td>
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<td></td>
<td></td>
<td><strong>Sri Lanka Risk Based Supervision for Insurance:</strong> the project helped to put in place the Final Rule on risk-based minimum capital regime, and a risk-based supervision framework. To further support the authorities to implement the framework effectively, a small, quick response TA (US$112,000) was approved by FIRST to provide hands-on assistance to the Insurance Authority to assess the financial returns based on the new model.</td>
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<td></td>
<td><strong>Uganda Insurance:</strong> a follow up reform on risk-based capital regime for</td>
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</tr>
<tr>
<td>Areas</td>
<td>Targets</td>
<td>Progress as of Dec. 31, 2016</td>
<td>Evaluation Team Comments</td>
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<td>-------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Insurance Sector</td>
<td>Funded by FIRST under the Program on Financial Stability which has a component on Insurance.</td>
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</tr>
</tbody>
</table>
| Response times for projects               | 6 month average between inquiry and approval                             | **Catalytic Window**: 6 months on average.  
**Programmatic Window**: 8 months on average.                                                   | Consulted stakeholders (implementing partners and GC members) feel that the current response times should be reduced. The PMU is taking actions to streamline existing approaches (see section 4.5)                                                      |
| Budget targets                            | FIRST meets budget targets within 10%                                    | **Meeting Target.** FY16 expenditures is 96% of FY16 budget ($2.5 mil. vs. $2.7 mil.).        |                                                                                                                                                                                                                          |
| WB Staff budget for delivery, supervision and policy dialogue | WB staff budget for projects and programs will not exceed 34% on average, and 22% over total budget. | Within the limit.                                                                           | WB TTLs identified several negative effects of this cap on WB staff time. In December 2016, the GC agreed to remove this restriction in any future phases of FIRST. (See section 4.5)                                                   |
| Donor coordination                        | Project and program formulation: all projects and programs will be sent for donor input.  
Project and program delivery: Donors with relevant presence in the country will be invited to join steering committees and will receive project deliverables for comments. | Proposals are sent to donor during the Due Diligence process.  
Project Officers continuously engage donor agencies when relevant and necessary during the project’s cycle: at design, and at dissemination stage to avoid overlaps, and increase collaboration. | Donors report that they are actively consulted during project and program formulation.                                                                                                                                         |
<p>| KM &amp; OUTREACH                             | Website has the necessary functionalities                               | The new website was launched successfully on March 7th, 2016, with overall modern visual design, and superior features such as Responsive web design, Map views for both country and region level Projects, strong search functionalities displaying results in a map and/or table, improved Projects download functionality, online PDF reading, improved SEO and Social Media Sharing features. |                                                                                                                                                                                                                          |</p>
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</thead>
<tbody>
<tr>
<td>Capturing Lessons Learned</td>
<td>Lessons are gathered systematically, at least 10 best practice notes per year.</td>
<td>The first Lessons Learned Note on <strong>Financial Sector Development Strategy</strong> was published on May 28th, 2015. The second Lessons Learned Note “<strong>Developing a National Financial Inclusion Strategy: The Paraguay Experience</strong>” was published in December 2015 and was promoted actively on social media channels along with a corresponding Interview with Paraguay’s Minister of Finance, Mr. Santiago Peña and a with and a blog. The third Lessons Learned Note “<strong>Expanding Coverage of Good Quality Private Pensions</strong>” was published on September 15th, 2016 and was widely distributed at the Global Pension and Savings Conference held on September 19-21, 2016, in Washington, D.C. The forth one “<strong>World Bank Crisis Simulation Exercises: What Is at Stake in Coordinating and Making Decisions</strong>” was published on October 17th, 2016. All notes from the Lessons Learned Series are accessible through the WB Open Knowledge Repository and FIRST’s website as well.</td>
<td>The target of 10 best practice notes per year was not realistic (See section 5.6).</td>
</tr>
<tr>
<td>Disseminate lessons</td>
<td>Targeted dissemination through the website, seminars and flagship events.</td>
<td>The flagship <strong>Partial Credit Guarantee</strong> publication was completed in December [12/21/15] and promoted heavily through the World Bank website and Social Media channels. Following up the official publication of the Principles for Public Guarantee Schemes for SMEs” in December 2015, the survey on the level of implementation of the Principles was conducted and the findings were presented on June 16, 2016. A World Bank Policy Research Paper on this topic will be published in fiscal 2017 which will be shared to public through WB and FIRST’s websites. In June 2016, FIRST cosponsored a regional conference, <strong>Financial Sector Development in African States Facing Fragile Situations</strong> which gathered leaders from the private and the public sectors to discuss the links between fragility, resilience, and financial sector development in Africa. A total of 9 videos have been created and posted on FIRST’s website. Around 16 website posts (from FIRST website) have been tweeted through F&amp;M GP (@WBG_Finance).</td>
<td></td>
</tr>
<tr>
<td>Project completion reports</td>
<td>All projects have PCR in the data base</td>
<td>All of WB-implemented projects have Grant Monitoring Reports; and the IMF-implemented projects have Project Assessment Reports.</td>
<td>The review of completed projects identified various shortcomings</td>
</tr>
<tr>
<td>Areas</td>
<td>Targets</td>
<td>Progress as of Dec. 31, 2016</td>
<td>Evaluation Team Comments</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Output and outcome monitoring</td>
<td>A project output and outcome follow-up method has been put in place</td>
<td>All of outputs are reviewed and commented by FIRST’s Team before they are finalized, approved, and delivered to clients. FIRST’s Project Officers participate in the Output Decision Meeting (a standard WB’s project cycle procedure) for quality assurance. After a project is completed, FIRST conducts email surveys to clients asking for their quality assessment and overall feedback. Post-completion monitoring is conducted to harvest outcomes and inputs for lessons learned. The post-completion monitoring is based on email follow-up with clients, updates from Task Team Leader, and evidences of legal enactments from public domains. For Programs under Programmatic Window, Task Team Leader is required to submit an Annual Progress Report in addition to a mid-term review to be conducted by FIRST’s relevant Project Officer.</td>
<td>The establishment of an output and outcome follow-up method is an important step. However, the use of the method in all FIRST projects and programs would be a more meaningful target. Interviews indicate that the current monitoring systems rely heavily on the PMU for World Bank projects. See section 5.6</td>
</tr>
<tr>
<td>Donor reporting</td>
<td>Donors receive adequate reporting in frequency, coverage and quality.</td>
<td>Being implemented in accordance with December 2015 GC decision on reporting schedule in line with the approved KM Action Plan: FIRST provides GC members with Quarterly Updates and Annual Reports. In addition to these standard reports, FIRST provides operational and financial updates to GC members at the GC Meetings. FIRST produces quarterly reports and reports on operational targets regularly and on time. On the other hand, the most recent FIRST Annual Report for the year ending 30 June 2016 was published and disseminated six months after the end of the period, instead of the targeted three months listed in the KM Action plan. The Annual Report includes many descriptions of the successes of individual FIRST interventions; however, it does not identify project/program shortcomings or lessons learned. Nor does it synthesize or analyze the information at the level of the FIRST initiative. (See section 5.6)</td>
<td></td>
</tr>
<tr>
<td>Client surveys</td>
<td>Client perception surveys are performed annually</td>
<td>As of Sep. 30, 2016, FIRST received feedback from 22 clients from 45 completed projects (49% response rate). The average satisfaction</td>
<td>Given that the WBG administers its own client survey, and given that the client survey is</td>
</tr>
</tbody>
</table>
### Areas

<table>
<thead>
<tr>
<th>Targets</th>
<th>Progress as of Dec. 31, 2016</th>
<th>Evaluation Team Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client TA surveys are done routinely</td>
<td>rating was 4.5/5.</td>
<td>administered relatively soon after the TA assignment is complete, it is not evident that the FIRST TA survey is required (see section 4.5)</td>
</tr>
<tr>
<td><strong>FIRST Brand</strong></td>
<td>FIRST is recognized as a distinct TA source, measured through client perception surveys.</td>
<td>FIRST’s Mid-Term Evaluation is being conducted by independent evaluators. Among others, the brand issue will be covered. The evaluation report will be available in May 2017.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

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Appendix VII  FSDIP Case Study

The Financial Sector Development Implementation Plan (FSDIP) was developed as an instrument to meet client needs in situations where there was no recent Financial Sector Assessment Program (FSAP) on which to base a financial sector development strategy. The product grew out of earlier catalytic projects that had supported preparation of financial sector development plans (FSDP) or strategies (FSDS). FSDS/FSDPs were employed in countries that had received an FSAP, using the FSAP analytics and recommendations as the foundation. Building from this foundation, FSDS/FSDP programs typically developed a set of detailed action plans to implement FSAP recommendations. FSAP recommendations tend to be relatively high level, and even when supported by technical notes (TNs) or detailed assessment reports (DARs), often do not identify all of the elements authorities would have to consider when acting on the recommendations. The FSDS/FSDP would prioritize and sequence the required actions, identifying the responsible authorities and whether additional technical assistance was required. In addition to potentially catalyzing additional TA to support implementation, this detailed action plan could be used to monitor progress and coordinate across the various stakeholders typically involved in financial sector reform.

With the decreasing likelihood for smaller and less important financial systems to be targeted for FSAPs, there was a need for a product to assist authorities seeking to better plan and coordinate financial sector reforms in the absence of the usual diagnostic and analytic foundation for FSDS/FSDP programs.

As outlined in the FSDIP Concept Note, the end-product of an FSDIP is substantially the same as the FSDS/FSDP. This is a fully articulated strategy and actionable implementation plan, with the planned steps outlined in a time-bound and prioritized sequence. Where the FSDIP differs is the starting point for the development of the strategy and action plan. Without the FSAP there is a need to take stock of prior TA reforms and build on those. There may also be a need for specific analyses in areas not covered by prior TA or national studies.

As an instrument to support putting the strategic direction in place, the FSDIP is intended to be a catalyst for mobilizing additional financial and technical support, and to provide a mechanism for coordination and oversight of effective implementation. Key lessons from the FSDS/FSDPs were that in the absence of a clear government policy or strategic direction, individual donor-funded activities are often not coordinated and can even work at cross-purposes. These lessons are reflected in FIRST’s selection criteria for FSDIPs, which include:

- The main project’s output should be a time bound, actionable, implementation plan identifying priority areas for financial sector reform. The main expected medium-term outcome is the implementation of financial sector reforms in the prioritization plan. FSDIP project proposals should be clear on the specific development outcome, e.g., a more inclusive and stable financial sector.
Client engagement is high, and ongoing implementation support is identified at the outset of a proposed FSDIP, e.g., the formation of a Steering Committee to guide and monitor the prioritized reforms.

Prior and ongoing TA outputs should be harmonized and prioritized into a single coherent strategic plan.

The evaluation team reviewed two FSDIP projects, Seychelles and Bhutan. Both projects met a clear need to support planning and coordination for financial sector development in countries unlikely to have an FSAP over any reasonable planning horizon. Both countries had received extensive previous technical assistance, but in many cases the focus areas reflected donor priorities or the views of one or a few key financial sector stakeholders rather than being aligned with a national strategy or plan.

The outputs of both reviewed projects were high quality (see project reviews for Bhutan and Seychelles below). Both appeared to have been grounded in appropriate diagnostic and analytic work, notwithstanding the limited resources available compared to an FSAP, and both incorporated extensive stakeholder consultation. Each covered a broad range of financial sector reforms and included elements with a specific development and financial stability focus. Many of the topics addressed under financial stability headings have a strong development component as putting in place the required legal frameworks and supervisory apparatus is a precondition for extending the outreach of the formal financial sector.

The success of the FSDIP, which is intended to be a blueprint for coordinated action over a multi-year period, is crucially dependent on country ownership of the action plans, and a structure for implementation and monitoring. Stakeholder feedback from interviews in the Seychelles and survey responses was positive with respect to the quality of the work and country authorities were appreciative of the availability of support for planning a sequenced and prioritized reform plan.

Experience with earlier FSDs/FSDPs (such as those in Rwanda, Botswana and Lesotho) suggests that a group or unit within the central bank or ministry of finance with a mandate and resources for monitoring implementation and a mechanism to hold responsible agencies accountable is crucial to success. One concern arising from the review of the Bhutan project was that the required coordinated reform efforts may not take place due to the failure to create, by project close, the planned secretariat with an explicit mandate to oversee implementation of the cross-cutting recommendations. Mitigating this concern was the fact that the authorities had already requested additional TA for implementation of some of the action items.

Some FIRST stakeholders suggested the possibility that FIRST might fund FSAPs in small countries. Even assuming that the IMF and World Bank would make the resources available, the cost would likely be prohibitive for FIRST. Consider the case of Madagascar, an LIC subject to an FSAP in 2015, which required a combined Bank-Fund team of 14 staff and experts and more than a year to complete from planning through the main mission and completion of the final reports and supporting TNs and DARs.

Other stakeholders raised questions about the structure, consistency and adherence to international standards in FSDIPs. Unlike FSAPs, FSDIPs do not begin with DARs or TNs covering the range of internationally accepted standards and codes. FSDIPs, like other FIRST programs, are dependent on the
World Bank quality control process. Thus, while there is an expectation that FSDIP action plans will be informed by best practice, there is no mechanism equivalent to the detailed reviews of DARs and TNs to ensure that this is so. In the two FSDIPs reviewed, selection of well qualified team members, peer review and the formal Bank review process appears to have resulted in action plans that are informed by international standards and practices.

Potential constraints to FSDIPs are the catalytic window limits of 30 percent of the budget for diagnostic work, and the budget ceiling of USD 500,000. The limit on funding for World Bank staff time resulted in most FSDIP work being undertaken by teams of consultants. Drawing on experience, particularly with FSDS/FSDPs, the Bank generally fielded consulting teams that had previously worked on similar projects. Removal of the limit on World Bank staff time will lessen the constraints seen in several projects where the authorities’ timing had to be adjusted in light of the availability of suitably experienced consulting teams.

All six FSDIPs completed through December 2016 closed in late 2015 or 2016, making it too soon to assess actual implementation, which is a multi-year process. The evaluation team’s reviews of the FSDIP in Bhutan and Seychelles are presented in Annex I and II below.
Annex I: Bhutan FSDIP Review

<table>
<thead>
<tr>
<th>NAME OF REVIEWER</th>
<th>DATE OF REVIEW</th>
<th>COUNTRY</th>
<th>FULL NAME OF PROJECT/PROGRAM</th>
<th>PROJECT/PROGRAM NUMBER</th>
<th>CLIENT(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Andrews</td>
<td>26/01/17</td>
<td>Bhutan</td>
<td>Financial sector Development Implementation Plan</td>
<td>A060</td>
<td>Royal Monetary Authority of Bhutan</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VALUE OF PROJECT/PROGRAM</th>
<th>START DATE</th>
<th>CLOSING DATE</th>
<th>TTL</th>
<th>SECTOR</th>
<th>GOAL(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD 347,058</td>
<td>04/03/14</td>
<td>31/10/16</td>
<td>Sabin Raj Shrestha</td>
<td>FSDIP</td>
<td>Facilitate financial sector reforms by helping national authorities adopt a coherent vision and strategy for financial sector development including a well-sequenced, time-bound and prioritized road map</td>
</tr>
</tbody>
</table>

In the table below, criteria are rated on a 5-point scale, where 1 is low and 5 is high. “C” indicates that a criterion cannot be rated based on available information.

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relevance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1.01     | Evidence of alignment with country’s national financial sector policy needs:  
  - Diagnostic basis (FSAP or other)  
  - Consistency with broader national development | Bhutan has never had an FSAP. Diagnostic basis provided by previous Bank and Fund TA, including a joint mission in September 2013. A key recommendation was to better coordinate | Bhutan is unlikely to be scheduled for an FSAP. Previous TA work provides a |
<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>plans, strategies, if any</td>
<td>ongoing financial reform efforts through a comprehensive financial sector strategy.</td>
<td></td>
<td>reasonable starting point, with the FSDIP potentially being extremely useful in better organizing and focusing financial sector reform efforts and coordinating TA.</td>
</tr>
<tr>
<td>Explicit consideration of previous financial sector policy, strategy or similar plans, if any, and previous and ongoing financial sector technical assistance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stakeholder input into scoping, planning, project completion, and implementation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.02 Evidence of the quality of the final deliverable(s). The deliverable:</td>
<td>Deliverables included at project approval were a comprehensive FSDIP, two workshops or seminars, and an FSDIP monitoring mechanism.</td>
<td></td>
<td>FSDIP appears to have addressed key reform concerns of the authorities, and provided a very detailed road-map for implementation.</td>
</tr>
<tr>
<td>- Addresses the key issues identified at inception, or as modified during the course of the program</td>
<td>FSDIP as delivered was well organized and sequenced, and included a highly detailed Action Plan, provided in a format intended for use by the authorities as a monitoring and implementation tool. Two workshops were conducted as part of the FSDIP preparation process, and a third held for dissemination.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Provides a foundation for the recommendations or action plans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Presents recommendations and action plans:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Appropriate for the country’s stage of development and institutional capacity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Aligned with country’s legal and institutional structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Aligned with international standards and codes, tailored if required to local conditions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Appropriately sequenced</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>- Identify obstacles to implementation and include mitigating measures (for example, further technical assistance to address capacity constraints)</td>
<td></td>
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</tr>
</tbody>
</table>

**Rating Relevance**

5

**Effectiveness and Impacts**

2.01 Achievement of objectives/ likelihood of achieving

The FSDIP Action Plan identified responsible

Detailed action plan
<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>objectives</td>
<td>authorities for every reform activity. The authorities established six sub-groups to address national priorities. The FSDIP was endorsed by the Royal Monetary Authority in June 2016, and adopted by Cabinet in September 2016.</td>
<td>and evident ownership by the authorities is encouraging, but too soon to assess actual effectiveness and impact.</td>
<td></td>
</tr>
<tr>
<td>- Responsible authorities clearly identified</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Capacity and commitment of stakeholders— evidence of project ownership</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Authorities have a credible structure and process for monitoring implementation</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>- TA recommendations implemented</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.02 Project/program objectives for preconditions for financial sector development or financial stability were addressed (or are expected to be addressed, where relevant, given limited observation period), such as changes to the legal and regulatory framework, supervisory or other institutional structure, increase in resources or capacity in key institutions</td>
<td>FSDIP action items included a range of legal reforms to underpin other action items.</td>
<td>Too soon to assess actual impact.</td>
<td></td>
</tr>
<tr>
<td>2.03 Project/program objectives for financial sector development (where relevant, given limited observation period)</td>
<td>FSDIP included action items focusing on increasing financial outreach include: improving and expanding mobile banking, increasing agricultural finance, increasing and improving SME finance, providing entrepreneur training and improving financial literacy.</td>
<td>Comprehensive strategy and action plan, and authorities initial response is encouraging, but too soon to assess actual effectiveness and impact.</td>
<td></td>
</tr>
<tr>
<td>- Financial inclusion measures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Changes in financial sector structure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Development or expansion of specific financial markets or products</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- New or strengthened financial market infrastructures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.04 Identifiable effects on financial stability (where relevant, given limited observation period)</td>
<td>Action plan included reform of the Royal Monetary Authority, improving crisis management arrangements and strengthening the payment system.</td>
<td>Request for additional technical assistance is encouraging.</td>
<td></td>
</tr>
<tr>
<td>CRITERIA</td>
<td>OBSERVATIONS AND COMMENTS</td>
<td>ASSESSMENT (1-5 SCALE)</td>
<td>SUGGESTIONS, CONCLUSIONS</td>
</tr>
<tr>
<td>----------</td>
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</tr>
<tr>
<td>deposit insurance, lender of last resort)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Resolution of problem institutions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.05 Evidence of other observable impacts to date (may be limited due to short observation period)</td>
<td>The authorities subsequently requested further technical assistance with implementing the action plan for the reform of the Royal Monetary Authority, which was provided by the World Bank in 2016.</td>
<td>High quality deliverable provided by the World Bank as follow-up TA. Too soon to assess impact.</td>
<td></td>
</tr>
</tbody>
</table>

**Rating Effectiveness**

| 3 Efficiency | C |

| 3.01 Completion relative to original budget and timeline | Completion was delayed due to turnover in a key counterpart – the Governor of the RMA retired and it took several months for a replacement to be appointed. Technical consultations were completed during the interregnum; however extension of the project by nine months was required to obtain complete buy-in by the new Governor prior to project completion. Total disbursements were 20% less than the original budget, with deliverables exceeding the original approval. | Delaying completion pending appointment of a new Governor appears to have been a wise decision rather than proceeding to completion without support from a key stakeholder. |

**Rating Efficiency**

| 4 Sustainability | 5 |

<p>| 4.01 Evidence that the project design addressed sustainability concerns | At project close the planned Secretariat housed at the RMA to monitor implementation had not yet been established. While concerns were mitigated by the adoption of FSDIP by cabinet, lack of a body with the explicit mandate to oversee implementation of the cross-cutting | Request for additional TA for implementation of priority actions is encouraging. However, failure to |</p>
<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>coordination/harmonization</td>
<td>recommendations raises concern that the required coordinated reform efforts may not take place.</td>
<td></td>
<td>establish the envisioned secretariat by project close raises concerns about sustaining the broad program of action items.</td>
</tr>
<tr>
<td></td>
<td>Local consultants worked closely with the lead international consultant, and a local law firm was retained to assist with legal work. The three workshops conducted provided some modest knowledge transfer.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rating - Sustainability</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OVERALL RATING</td>
<td>Cannot rate since effectiveness cannot be rated at this time</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Annex II: Seychelles FSDIP Review

<table>
<thead>
<tr>
<th>NAME OF REVIEWER</th>
<th>DATE OF REVIEW</th>
<th>COUNTRY</th>
<th>FULL NAME OF PROJECT/PROGRAM</th>
<th>PROJECT/PROGRAM NUMBER</th>
<th>CLIENT(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Andrews</td>
<td>23/12/16</td>
<td>Seychelles</td>
<td>Financial Sector Development Implementation Plan</td>
<td>A027</td>
<td>Central Bank of Seychelles</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>USD VALUE OF PROJECT/PROGRAM</th>
<th>START DATE</th>
<th>CLOSING DATE</th>
<th>TTL</th>
<th>SECTOR</th>
<th>GOAL(S)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total: USD 400,408</td>
<td>18/08/13</td>
<td>30/04/2016</td>
<td></td>
<td>Francesco Strobbe</td>
<td>Financial Sector Development</td>
</tr>
<tr>
<td>FIRST: USD 336,408</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Facilitate financial sector reforms by helping national authorities adopt a coherent vision and strategy for financial sector development</td>
</tr>
</tbody>
</table>

In the table below, criteria are rated on a 5-point scale, where 1 is low and 5 is high.

<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>RELEVANT DOCUMENTS, OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relevance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 1.01     | Evidence of alignment with country’s national financial sector policy needs:  
  • Diagnostic basis (FSAP or other)  
  • Consistency with broader national development plans, strategies, if any  
  • Explicit consideration of previous financial sector policy, strategy or similar plans, if any, and previous and ongoing financial sector technical assistance  
  No FSAP available. Authorities had determined the need for a new financial sector strategy, intended to be a component of the broader Medium Term National Development Strategy under development at the time of the FSDIP. Cabinet approval of FSDIP was a Structural Benchmark under the IMF Extended Fund Facility (EFF). FSDIP coordinated with but did not duplicate financial stability work and macro-prudential work being supported by IMF TA,  | 4                        | Financial sector development is a clear national priority, with the authorities having identified the need to address weaknesses in the offshore sector, and enhance onshore provision of financial |
CRITERIA | RELEVANT DOCUMENTS, OBSERVATIONS AND COMMENTS | ASSESSMENT (1-5 SCALE) | SUGGESTIONS, CONCLUSIONS
--- | --- | --- | ---
• Stakeholder input into scoping, planning, project completion, and implementation | hence FSDIP contains relatively little with respect to onshore bank supervision. |  | services to individual and SMEs.
1.02 Evidence of the quality of the final deliverable(s). The deliverable: | Deliverables at approval (July 2013) , and actual outputs (FSDIP, November 2014) were as follows: |  | FSDIP addressed all topics included in the project approval.
- Addresses the key issues identified at inception, or as modified during the course of the program | • Stock-taking of completed and ongoing financial sector work by bilateral and multilateral partners – included as an Appendix to the FSDIP |  | Central Bank of Seychelles very complimentary regarding quality (telephone interview December 2016). Analysis and recommendations appear of high quality and appropriate, although timelines appear aggressive due to limited capacity of the authorities.
- Provides a foundation for the recommendations or action plans | • Review of the legal framework and roadmap for revision – Section IV of the FSDIP |  | 
- Presents recommendations and action plans: | • Review of financial market infrastructures and roadmap for development – Section V of the FSDIP |  | 
  - Appropriate for the country’s stage of development and institutional capacity | • Assessment of access to finance and recommendations – Sections VI and IX of the FSDIP |  | 
  - Aligned with country’s legal and institutional structure | • Assessment of capital markets and roadmap – Section VIII of the FSDIP |  | 
  - Aligned with international standards and codes, tailored if required to local conditions | • Assessment of non-bank financial institutions regulation and supervision, and roadmap – Section VII of the FSDIP |  | 
  - Appropriately sequenced | All planned topics were addressed in the FSDIP. Detailed action plans were based on consultation and analytical work completed by the FSDIP consulting team. Action plans explicitly identified areas requiring technical assistance for implementation. |  | 
Rating Relevance | 5 |  | 
2 Effectiveness and Impacts
<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>RELEVANT DOCUMENTS, OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
</table>
| 2.01     | Achievement of objectives/ likelihood of achieving objectives  
- Responsible authorities clearly identified  
- Capacity and commitment of stakeholders—evidence of project ownership  
- Authorities have a credible structure and process for monitoring implementation  
- TA recommendations implemented | FSDIP formally approved by Cabinet November 2014, disseminated in a public event, February 2015. Secretariat established at the Central Bank to support the high level coordination committee. Some delays due to capacity constraints, but implementation proceeding, including support through a World Bank Reimbursable Advisory Services Agreement. | Implementation proceeding as expected, albeit with some delays. Inclusion of FSDIP as a Structural Benchmark in IMF EFF likely has contributed to the commitment and support from government as well as the Central Bank. |
| 2.02     | Project/program objectives for preconditions for financial sector development or financial stability were addressed (or are expected to be addressed, where relevant, given limited observation period), such as changes to the legal and regulatory framework, supervisory or other institutional structure, increase in resources or capacity in key institutions | Action plan included new legislative framework including:  
- Revision of the Financial Institutions Act  
- New National Payments System Act  
- Revised Securities Act  
- Credit Reporting Act | Recommended laws consistent with international standards. Use of local legal consultant contributed to ensuring recommendations were consistent with national legal traditions. |
| 2.03     | Project/program objectives for financial sector development (where relevant, given limited observation period)  
- Financial inclusion measures  
- Changes in financial sector structure  
- Development or expansion of specific financial markets or products | Action plan includes enhancing the Credit Information System, expected to expand access to finance.  
Action plan included enhancement of consumer protection and financial literacy:  
- Establishing financial ombudsman  
- Consumer protection units within each | Expected outcomes are intermediate – longer time periods will be required to observe actual impacts. |
### CRITERIA

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Relevant Documents, Observations and Comments</th>
<th>Assessment (1-5 Scale)</th>
<th>Suggestions, Conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New or strengthened financial market infrastructures</td>
<td>Sectoral supervisory</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Financial literacy baseline study</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Specialised education program for financial services professionals</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Action plan included laying the foundation for capital markets development through development and publication of a government debt management strategy, and implementation of a primary auction system.</td>
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</tr>
<tr>
<td>2.04 Identifiable effects on financial stability (where relevant, given limited observation period)</td>
<td>Action plan included improving the regulation and supervision of non-bank financial institutions and specialized financial institutions:</td>
<td></td>
<td>Appropriate action plans, but additional time and resources will be required to build the necessary capacity, which will be especially challenging in such a small country.</td>
</tr>
<tr>
<td></td>
<td>• Introduction or strengthening of any element of the financial safety net (effective supervision, early intervention, resolution framework, deposit insurance, lender of last resort)</td>
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</tr>
<tr>
<td></td>
<td>• Resolution of problem institutions</td>
<td></td>
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<tr>
<td>2.05 Evidence of other observable impacts to date (may be limited due to short observation period)</td>
<td>Follow-on World Bank Reimbursable Advisory Services Agreement to address the regulatory framework, national risk assessment (anti-money laundering and countering the financing of terrorism), and the credit information system. Continued IMF support for bank supervision and macro-prudential frameworks.</td>
<td></td>
<td>Authorities appear committed to implementation, with the major bottleneck being lack of capacity.</td>
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<td></td>
<td>• Catalytic effects such as mobilization of additional donor support or other follow up reforms</td>
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### Rating Effectiveness

<table>
<thead>
<tr>
<th>3</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.01</td>
<td>Completion relative to original budget and timeline</td>
</tr>
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© UNIVERSALIA
<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>RELEVANT DOCUMENTS, OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
</table>
| • FIRST processing  
• WB/IMF selection of consultants, allocation of staff  
• Authorities’ responsiveness, completion of required steps | used to provide immediate implementation support in payment systems and regulation in response to requests by the Central Bank governor. Total disbursements $324,367 versus $336,408 approved. Contract date for lead consultant (March 19, 2013) as reported in GRM appears to pre-date project approval (July 2013). Approval of FSDIP by Cabinet November 2014, in line with FSDIP action plan, but six months later than projected at time of project approval. Authorities have completed the action items for implementation and monitoring of the FSDIP, and begun work on all sets of action items to be implemented through 2017. Additional time likely to be required for full implementation due to capacity constraints. |  | consultant deliverables provided at less than originally estimated cost. Elapsed time less than originally projected, although delay in project approval from originally planned date meant FSDIP was adopted by cabinet six months later than expected. |

**Rating Efficiency**

<table>
<thead>
<tr>
<th>4</th>
<th>Sustainability</th>
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| 4.01 | Evidence that the project design addressed sustainability concerns  
• Evidence that manuals/tools are developed that would be utilized beyond the FIRST project life  
• Evidence that institutional structure/capacity was strengthened/established  
• Evidence that client staff, local consultants have benefited from capacity building  
• Evidence of follow-on work with other development partners building on FIRST funded reforms | FSDIP includes implementation and monitoring measures:  
• Establish high level steering committee (precondition, completed April 2014)  
• Obtain cabinet approval (target November 2014, actual November 2014)  
• Designate senior champions for each set of action items, who form the FSDIP Technical Committee (complete, with delays)  
• Establish the FSDIP Secretariat (complete, with some delay) | Immediate action by the authorities on the implementation and monitoring action plan items demonstrates strong commitment (bolstered by IMF EFF conditionality). |
<table>
<thead>
<tr>
<th>CRITERIA</th>
<th>RELEVANT DOCUMENTS, OBSERVATIONS AND COMMENTS</th>
<th>ASSESSMENT (1-5 SCALE)</th>
<th>SUGGESTIONS, CONCLUSIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Secretariat to review TORs and deliverables</td>
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<td>for all financial sector-related TA</td>
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<td></td>
<td>(implemented, ongoing)</td>
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<td></td>
<td>• Quarterly reporting to the FSDIP high level</td>
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<tr>
<td></td>
<td>steering committee (implemented, ongoing)</td>
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<tr>
<td></td>
<td>• Quarterly reporting to Cabinet</td>
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<tr>
<td></td>
<td>(implemented, ongoing)</td>
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<td></td>
<td>Two local experts worked with four international consultants in the preparation of FSDIP. Project included two stakeholder workshops and a series of internal workshops for the Central Bank, in addition to bilateral consultation by the consulting team with stakeholders.</td>
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<td></td>
<td>FSDIP was followed by a Reimbursable Advisory Services (RAS) agreement between World Bank and Government in October 2015.</td>
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<tr>
<td>Rating - Sustainability</td>
<td></td>
<td>5</td>
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<tr>
<td>OVERALL RATING</td>
<td></td>
<td>4.7/5</td>
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### Appendix VIII  Status of Phase II Evaluation Recommendations at December 2016

<table>
<thead>
<tr>
<th>RECOMMENDATIONS</th>
<th>RESPONSE AND ACTIONS AGREED</th>
<th>IMPLEMENTATION PROGRESS</th>
<th>EVALUATION TEAM COMMENTS</th>
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</thead>
<tbody>
<tr>
<td>1. Projects designed to strengthen an institution must both ask and then address the question of why the institution is weak. Training may not be enough, if existing policies and practices undermine the institutions’ strength.</td>
<td>The establishment of Programmatic Window would address the institutional capacity building needs. In addition, FIRST has a rigorous grant review and peer-review in place to rely on the Regional Team to assess the Client’s capacity. With this, <strong>GC did not take this recommendation and therefore no action was agreed.</strong></td>
<td>No follow up action was expected.</td>
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<tr>
<td>2. Given the limited capacity of countries to determine priorities and implement improvements, a smaller, better prioritized set of recommendations would seem more appropriate with regard to financial sector development strategies. Too broad a strategy with too many recommendations may divert attention from the real priorities for reform. A time horizon of five years for FSDSs would seem appropriate given the rapidity with which financial sector issues change. If FSAPs are no longer conducted in small</td>
<td>AGREED</td>
<td>All FSDIPs undergo formal reviews- meeting chaired by the CD or representatives with high level participation of F&amp;M, at least this was the case with Liberia, Swaziland, ST, and is scheduled for Congo. As a part of quality control, FIRST’s Project Officers have been undertaking a rigorous review of FSDS/FSDIP before these are finalized and delivered to clients to make sure the adequacy of scope covered as initially envisioned, the sequence and priority of</td>
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<tr>
<td>RECOMMENDATIONS</td>
<td>RESPONSE AND ACTIONS AGREED</td>
<td>IMPLEMENTATION PROGRESS</td>
<td>EVALUATION TEAM COMMENTS</td>
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<td>countries in a timely manner, FIRST should consider funding more FSDS.</td>
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<td>recommendations, etc. Project Officers have been also participating in the outputs review meeting.</td>
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<td>3. In reviewing grant applications, FIRST should consider suitability and timing as well as eligibility.</td>
<td>The GC and PMU agreed during the May GC Meeting that FIRST may not be in the optimal position to assess the suitability and timing issues as these would add complexity to the approval process. The regions are in a better position to conduct this assessment and through a comprehensive due diligence process, FIRST hopes to achieve relevant feedback including suitability and timing. ACTION: The GC members suggest to have a systematic follow-up of FIRST TAs in WBＧ’s policy dialogues to increase the implementation of reforms and impacts.</td>
<td>This has been achieved by the full alignment of FIRST TA in the Accountability &amp; Decision Making (ADM) framework with the Country Director/Country Manager (CD/CM) responsible for all approvals from initiation to completion. As related to the policy dialogue, the WBＧ Programmatic Approach helps position FIRST’s intervention in to a broader country reform program.</td>
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<td>4. Assessment of consensus and commitment among key stakeholders as well as an assessment of the country’s ability to implement recommendations should be considered the time of approval.</td>
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<td>5. For operational catalytic projects not covering implementation, FIRST should consider providing TTLs short, small, quickly approved grants to carry projects through to the implementation phase. Such grants would be for no more than twelve months’ additional support and would be specifically for implementation of an already completed FIRST-funded operational project.</td>
<td>Donors (GC members) favored stronger formulation at the project outset to anticipate implementation needs rather than a fast-tract of post-completion grants.</td>
<td>No follow up action was expected.</td>
<td></td>
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</table>
### RECOMMENDATIONS

6. FIRST needs to put in place M&E procedures that are realistic in terms of measuring outcomes and impact and consistent with the time-frame for measurement. Rather than eligibility criteria for programmatic grants, hard targets should be considered as indicators of intent ex-ante and criteria against which results would be assessed ex-post.

### RESPONSE AND ACTIONS AGREED

GC disagreed with the evaluators’ suggestion of removing hard targets for Programmatic Window as eligibility criteria. Instead, GC members were more open to the broadening targets and want to review the proposal in December 2014 Meeting.

**ACTION:** FIRST to propose broadened targets for GC’s consideration.

### IMPLEMENTATION PROGRESS

Broadened Target Proposal was submitted to GC and was approved during the GC Meeting on December 5th, 2014 in The Hague. The new principles have allowed for more flexibility, and as a result, FIRST was able to have 14 programs approved as of December 2016.

In the December 2016 GC Meeting in London, FIRST in its Issues Paper presents arguments for a more flexible approach in setting targets to base on individual program development objectives tailored to individual country circumstances; Targets will be ambitious enough but have more direct attribution as well as a robust post-completion monitoring mechanism. GC

### EVALUATION TEAM COMMENTS

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77 **Principles of the new target setting approach:**

- Targets are aspirational. It is no shame if targets are missed, especially if due to exogenous circumstances. But TTLs should also not be afraid of the principle of targets.
- The targets can be higher or lower depending on the nature of the project and the country. The targets in the documents ‘Selection criteria for Phase III catalytic and programmatic windows’ (November 2012) and ‘Proposed additional indicators and targets for FIRST’s programmatic window (November 2014) serve as reference. Increases or decreases of the targets must be justified in the Concept Note.
- By exception, if the nature of the project makes it impossible to have targets related to the indicators in the documents mentioned under 2, targets can be related to other indicators or no targets can be used. Also this should be justified in the concept note submitted to GC for early clearance.
- The above also applies to projects of the IMF and projects in fragile states.
### Recommendations

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<tr>
<th>RECOMMENDATIONS</th>
<th>RESPONSE AND ACTIONS AGREED</th>
<th>IMPLEMENTATION PROGRESS</th>
<th>EVALUATION TEAM COMMENTS</th>
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<tr>
<td>7. FIRST needs to improve its systems for information gathering, filing, retrieval, and analysis. It also needs to improve the accuracy of the classification of its project as well as the reliability of information in its databases. The full panoply of Bank TA in the financial area, rather than only FIRST-funded projects should be the basis of research and best practice examples.</td>
<td>The issue of data filing and retrieval was clarified by Klaus that WB’s Operational Portal maintains a complete database of non-lending projects, of which FIRST’s portfolio is a sub-set. FIRST however maintains its own project database for its own management and analytical purposes and there are issues with accuracy and completeness. This needs to be addressed. FIRST should not replicate the broader WB’s KM or research. FIRST’s KM however should be integrated with the F&amp;M Global Practice</td>
<td>All of project documents are filed by TTLs in the WB web-based portal and WBDocs – the WBG document repository. FIRST portfolio is generated directly from the WB SAP system; this provides basic information such as project code, name, country, dates, and funding. The KM Action Plan was presented at the December 2014 GC Meeting and was approved. Since then, FIRST’s lessons learned notes and impact stories have been produced in line with this paper.</td>
<td>The catalytic and program reviews carried out during the Phase III mid-term evaluation indicates that there are some continued shortcomings with management of FIRST project documents. Monitoring would be enhanced by a systematic approach to managing the documents for each project and program so that all relevant materials are readily available on demand. This could help in tracking progress towards project completion versus disbursements, and ensuring final deliverables are aligned with original approvals, or revisions that were formally approved as the project progressed.</td>
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<tr>
<td>8. FIRST needs to review the project approval process with the objective of reducing both the overall approval time and the man-months involved with project processing. The current approval In general, donors were happy with FIRST’s current approval process (4 month on average). ACTION: PAC Meeting to be organized twice per month.</td>
<td></td>
<td>The action of having PAC Meeting twice a month has been implemented when project volumes were high. However, due to many reasons, the average approval time of</td>
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<td>RECOMMENDATIONS</td>
<td>RESPONSE AND ACTIONS AGREED</td>
<td>IMPLEMENTATION PROGRESS</td>
<td>EVALUATION TEAM COMMENTS</td>
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<tr>
<td>process could be simplified for smaller catalytic grants. The steps in the approval chain might be reduced for some projects by increasing the size of projects that the program manager could approve.</td>
<td>catalytic projects has gone up to 6.5 months with outliers and 5.8 months without outliers recently, therefore, at the 2016 GC Meeting GC members have asked FIRST to address this issue. FIRST PMU is now working on a solution to streamline the process and project template to reduce the time and hassle for its clients (including TTLs). The new streamline process and template is expected to be introduced in early 2017.</td>
<td>Donors did not agree to re-open the discussion on the business model at this stage, and would like to let the current agreed model work following the extensive charter discussion over the past two years, therefore no action was agreed.</td>
<td>No follow up action was expected.</td>
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</table>

9. The business model which the donors choose for FIRST should depend in part upon their views of whether the Bank has put in place appropriate quality control mechanisms and procedures for the TA projects funded out of its own budget and those funded from trust funds. If the donors are satisfied with the Bank’s procedures for TA selection, design, execution, monitoring and evaluation, a business model more closely integrating FIRST with the Bank’s activity seems appropriate. But if the donors want a degree of quality control that goes beyond simply determining whether projects meet eligibility criteria, Donors did not agree to re-open the discussion on the business model at this stage, and would like to let the current agreed model work following the extensive charter discussion over the past two years, therefore no action was agreed. No follow up action was expected.
<table>
<thead>
<tr>
<th>RECOMMENDATIONS</th>
<th>RESPONSE AND ACTIONS AGREED</th>
<th>IMPLEMENTATION PROGRESS</th>
<th>EVALUATION TEAM COMMENTS</th>
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<tr>
<td>then for operational effectiveness FIRST will require its own staff and the ability to maintain some independence from World Bank control.</td>
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### Appendix IX  Update on Action Items from the 2015 Rabat Consultative Group Meeting

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<tr>
<th>AREA</th>
<th>ACTION PLAN</th>
<th>IMPLEMENTATION STATUS</th>
<th>EVALUATION TEAM COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevance</td>
<td>Ensure that intervention is linked to the national or sectoral strategy in the country; ownership by the government is a must.</td>
<td>IMPLEMENTED AND CONTINUES. FIRST PMU as well as PAC have been rigorously assessing each project based on additionality and relevance criteria, among others. Each proposal has a section to demonstrate the project’s linkage to the country strategy, FSAP or sectoral strategies and teams are tasked to clearly articulate the link and whether this is a priority. In addition, some TA requests are a response to emerging macro-financial global or country level challenges and this is also demonstrated in the rationale.</td>
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<tr>
<td>Program Targets</td>
<td>Continue to set rigorous and ambitious targets but also be realistic based on an analysis of country circumstances; these targets must also be consistent with national strategies.</td>
<td>IMPLEMENTED AND CONTINUES. FIRST Project Officers and M&amp;E Specialist work diligently with TTLs to set targets with a view to maximize the impacts for the client country. This effort has been reflected in the newly approved programs where the targets often exceed the minimum required by the program while reflecting the country’s circumstances. Examples are below: Sierra Leone - Banking Supervision: sets to improve 7 BCPs vs. the mandatory targets of 2-5 BCPs. Liberia – Financial Inclusion: sets to increase the percentage of adults with an account by 15 percentage points vs. the low end of the mandatory target of 5 percentage point. Niger—Access to Financial Services: sets to increase the percentage of adults with an account by 18.7 percentage points vs. the low end of the mandatory target of 5 percentage point. India—MSME Finance: sets an ambitious target to reach over 8,000 unserved MSMEs. Uganda—Financial Stability: sets to improve 10 Principles vs. the</td>
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<tr>
<td>AREA</td>
<td>ACTION PLAN</td>
<td>IMPLEMENTATION STATUS</td>
<td>EVALUATION TEAM COMMENTS</td>
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<tr>
<td>Stakeholder engagement</td>
<td>Systematically engage all relevant stakeholders, and ensure that stakeholder consultation is coordinated early in the process.</td>
<td>IMPLEMENTED AND CONTINUES. The common tool for stakeholder engagement in FIRST projects/programs is to have consultation and dissemination events organized during the project implementation. In addition, FIRST also requires TTLs to identify specific risks to outcome achievement and propose mitigations in the Risk Framework of the Proposal Template. Recently, FIRST added a section specifically to require TTLs to elaborate in Proposal on how stakeholder engagement will be carried out.</td>
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<tr>
<td>Quality Control</td>
<td>Improve the quality of TA delivery; ensure FIRST involvement in quality review meetings.</td>
<td>IMPLEMENTED AND CONTINUES. The rigorous quality control using weekly Project Team meeting, peer review, PAC review, IMF and WB cross-peer review at entry, the Global Leads reviewing the technical aspects and Country Director chairing the output review meeting at exit is how FIRST controls the quality. FIRST Project Officers also review and comment on deliverables/outputs and participate in Decision Meeting.</td>
<td>There is some concern about the adequacy of monitoring and quality assurance roles and responsibilities of the PMU and TTLs (see Section 4.5)</td>
</tr>
<tr>
<td>Collaborate with Standard Setting Bodies (SSB).</td>
<td>FIRST could further collaborate with Standard Setting Bodies in guided self-assessment, collaborate with SSBs on peer review and related overlapping.</td>
<td>CONSIDERED. FIRST is continuing to use international principles set by SSBs as targets for programs in the stability area and working with IMF and World Bank, FIRST continues to support client countries improve their compliance with international standards. As of December 2016, there was no project which exclusively focused on guided-self assessment such as MENA A007 Regional Insurance and CIMA B023 - Regional Insurance Program approved in prior years. For those projects which include a small component on guided-self assessment (such as PFMI as part of broader TA project or</td>
<td>In our view, it is not evident that FIRST is the most appropriate entity to collaborate with the SSBs. A more appropriate relationship would be with the two implementing partners.</td>
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</table>
guided-self assessment to establish a program baseline), engaging SSBs was not considered cost effective since it’ll require SSB staff to undertake labor intensive off-site reviews.

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<th>AREA</th>
<th>ACTION PLAN</th>
<th>IMPLEMENTATION STATUS</th>
<th>EVALUATION TEAM COMMENTS</th>
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</thead>
<tbody>
<tr>
<td>Timeliness</td>
<td>FIRST Project Officers should check in with clients for delayed or problematic projects.</td>
<td>IMPLEMENTED AND CONTINUES. Statistics show that nearly 80% of completed projects as of June 2016 had some extension, however, it does not mean that all of these delays require FIRST’s “check-in” with clients. For example, the Indonesia Housing projects were extended due to client’s change in the institutional structure (merger of two Ministries); Ethiopia Payments was extended to allow additional outputs to be produced using the remaining fund; Nepal Bank Resolution was extended due to the earthquake, etc. In general, according to the routine survey conducted by FIRST at project completion, 95% of clients who responded indicated that they were satisfied or very satisfied with the timeliness of TA deliverables. This is a result of many efforts, including the periodic review of project progress using the disbursement as a trigger, and the increased direct communication with clients, including face-to-face meetings during World Bank/IMF Annual and Spring Meetings.</td>
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## Appendix X  FIRST Catalytic Project Ratings

Note: “c” indicates some criteria could not be rated.

<table>
<thead>
<tr>
<th>#</th>
<th>COUNTRY</th>
<th>PROJECT</th>
<th>PROJECT NUMBER</th>
<th>RELEVANCE</th>
<th>EFFECTIVENESS</th>
<th>EFFICIENCY</th>
<th>SUSTAINABILITY</th>
<th>OVERALL RATING</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Albania</td>
<td>Pension Supervision and Coverage</td>
<td>B004</td>
<td>4</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>Bhutan</td>
<td>Financial sector Development Implementation Plan</td>
<td>A060</td>
<td>5</td>
<td>c</td>
<td>5</td>
<td>3</td>
<td>c</td>
</tr>
<tr>
<td>3</td>
<td>Colombia</td>
<td>Pensions Reform</td>
<td>A064</td>
<td>c</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>c</td>
</tr>
<tr>
<td>4</td>
<td>Colombia</td>
<td>Strengthening SROs Framework</td>
<td>A056</td>
<td>c</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>c</td>
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<tr>
<td>5</td>
<td>Colombia</td>
<td>Improving Access to Housing Finance for Low-income and Informally employed segments</td>
<td>A006</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2.3</td>
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<td>6</td>
<td>Colombia</td>
<td>Strengthening Deposit Insurance for Cooperatives</td>
<td>A066</td>
<td>5</td>
<td>4</td>
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<tr>
<td>7</td>
<td>Costa Rica</td>
<td>An Analytical Framework for Assessing Systemic Risk</td>
<td>A007</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>4.3</td>
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<td>8</td>
<td>Costa Rica</td>
<td>Pensions Reform: Risk-Based Supervision</td>
<td>A030</td>
<td>5</td>
<td>4</td>
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<td>4.4</td>
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<tr>
<td>9</td>
<td>Djibouti</td>
<td>Operationalization of MSME Credit Guarantee Fund</td>
<td>A047</td>
<td>5</td>
<td>4</td>
<td>5</td>
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<td>4.4</td>
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<tr>
<td>10</td>
<td>Ethiopia</td>
<td>Improving Efficiency of Payment Systems</td>
<td>A038</td>
<td>5</td>
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<td>11</td>
<td>Indonesia</td>
<td>Constructing a Robust Mortgage Market</td>
<td>A059</td>
<td>2</td>
<td>2</td>
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<td>PROJECT NUMBER</td>
<td>RELEVANCE</td>
<td>EFFECTIVENESS</td>
<td>EFFICIENCY</td>
<td>SUSTAINABILITY</td>
<td>OVERALL RATING</td>
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<td>Jordan</td>
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<td>EFFICIENCY</td>
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</table>
# Appendix XI  PMU Costs Comparison

## TF PMU Costs Comparison - Actual

<table>
<thead>
<tr>
<th></th>
<th>FIRST</th>
<th>ESMAP</th>
<th>InfoDev</th>
<th>FIAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Project Approvals</td>
<td>60.0</td>
<td>104.6</td>
<td>77.4</td>
<td>113.9</td>
</tr>
<tr>
<td>PMU Costs</td>
<td>9.6</td>
<td>6.2</td>
<td>5.0</td>
<td>34.7</td>
</tr>
<tr>
<td>PMU Staff Count</td>
<td>10.0</td>
<td>22.0</td>
<td>8.0</td>
<td>55.0</td>
</tr>
<tr>
<td></td>
<td>10.0</td>
<td>5.0</td>
<td>4.0</td>
<td>10.0</td>
</tr>
<tr>
<td>of which fully funded</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>M&amp;E Included in the PMU</td>
<td>Partially</td>
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<td>Partially</td>
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<tr>
<td>PMU Costs Cap</td>
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<td>No</td>
<td>7-10%</td>
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<tr>
<td>PMU Cost Ratio</td>
<td>16%</td>
<td>6%</td>
<td>6%</td>
<td>30%</td>
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</tbody>
</table>

**FIRST**
- Total Project Approvals: Includes project approvals both for the WB and IMF as of December 31, 2016
- PMU Budget: Costs for the period from January 2013 to December 2016
- PMU Staff Count: Includes Program Manager, ACS, Project Officers, Analyst and M&E Specialist
- M&E: Cost of M&E Specialist is included in the PMU budget. M&E initiatives (e.g. mid-term evaluation) are covered from a separate budget

**ESMAP**
- Total Project Approvals: Includes project approvals for the period of FY14-16
<table>
<thead>
<tr>
<th><strong>PMU Budget</strong></th>
<th>PMU Costs during the period of FY14-16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PMU Staff Count</strong></td>
<td>Includes PM (part-time); two POs (full time); 6 JPOs (at zero cost); 10 regional coordinators (at appr 10% of staff time); 3 ACS full time</td>
</tr>
<tr>
<td><strong>M&amp;E</strong></td>
<td>Has a separate budget allocation, not included in the PMU costs.</td>
</tr>
</tbody>
</table>

**INFODEV**

| **Total Project Approvals** | Includes project approvals to date for three active agreements (EPIC, CTP, NMDTF) |
| **PMU Budget** | Expenses as of March 2017 including FY17 commitments. Include KM work. |
| **PMU Staff Count** | Includes two ACS staff and two GG level staff. |
| **M&E** | M&E component is included in EPIC and CTP windows and excluded in NMDTF window. |
| **PMU Costs Cap** | 7% for EPIC and CTP windows and 10% for NMDTF window. |

**FIAS**

| **Total Project Approvals** | Includes project disbursements for the last cycle of FY12-16 |
| **PMU Budget** | Includes Product development, M&E, knowledge sharing and staff development, donor relations, public relations. |
| **PMU Staff Count** | Includes 55 staff of which 10 are fully funded |
| **M&E** | Included in the PMU costs. |
TF PMU Costs Comparison – Adjusted

**TF PMU Costs Comparison - with Adjusted FIRST PMU costs**

<table>
<thead>
<tr>
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<th>FIRST</th>
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<th>InfoDev</th>
<th>FIAS</th>
</tr>
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<td>6.3</td>
<td>6.2</td>
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<td>34.7</td>
</tr>
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<td>22.0</td>
<td>8.0</td>
<td>55.0</td>
</tr>
<tr>
<td>of which fully funded</td>
<td>5.0</td>
<td>5.0</td>
<td>4.0</td>
<td>10.0</td>
</tr>
<tr>
<td>M&amp;E Included in the PMU</td>
<td>Partially</td>
<td>No</td>
<td>Partially</td>
<td>Yes</td>
</tr>
<tr>
<td>PMU Costs Cap</td>
<td>No</td>
<td>No</td>
<td>7-10%</td>
<td>No</td>
</tr>
<tr>
<td>PMU Cost Ratio</td>
<td>11%</td>
<td>6%</td>
<td>6%</td>
<td>30%</td>
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</table>

**FIRST**

- **Total Project Approvals**: Includes project approvals both for the WB and IMF as of December 31, 2016.
- **PMU Budget**: Costs for the period from January 2013 to December 2016, adjusted to remove the cost of project management work.
- **PMU Staff Count**: Adjusted to remove cost of staff time spent on project management work.
- **M&E**: Cost of M&E Specialist is included in the PMU budget. M&E initiatives (mid-term evaluation etc) are covered from a separate budget.

**ESMAP**

- **Total Project Approvals**: Includes project approvals for the period of FY14-16.
- **PMU Budget**: PMU Costs during the period of FY14-16.
- **PMU Staff Count**: Includes PM (part-time); two POs (full time); 6 JPOs (at zero cost); 10 regional coordinators (at appr 10% of staff time); 3 ACS full time.
- **M&E**: Has a separate budget allocation, not included in the PMU costs.

**INFODEV**

- **Total Project Approvals**: Includes project approvals to date for three active agreements (EPIC, CTP, NMDTF).
<table>
<thead>
<tr>
<th>PMU Budget</th>
<th>Expenses as of March 2017 including FY17 commitments. Include KM work.</th>
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<tr>
<td>PMU Staff Count</td>
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<tr>
<td>M&amp;E</td>
<td>M&amp;E component is included in EPIC and CTP windows and excluded in NMDTF window.</td>
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<td>PMU Costs Cap</td>
<td>7% for EPIC and CTP windows and 10% for NMDTF window.</td>
</tr>
</tbody>
</table>

**FIAS**

| Total Project Approvals | Includes project disbursements for the last cycle of FY12-16 |
| PMU Budget | Includes Product development, M&E, knowledge sharing and staff development, donor relations, public relations. |
| PMU Staff Count | Includes 55 staff of which 10 are fully funded |
| M&E | Included in the PMU costs. |
Appendix XII  List of Findings

Finding 1: The majority of reviewed Phase III projects were highly relevant in client countries.

Finding 2: The majority of FIRST projects were effective in that they have generated outputs and are likely to produce preliminary outcomes. The ratings of overall effectiveness of some projects were affected by unrealistic objectives and limited information on results in the GRMs.

Finding 3: Overall, FIRST catalytic projects appear to be managed efficiently. However, based on Phase III experience to date, the prescribed timeframe for completion of catalytic projects is not realistic.

Finding 4: While still at relatively early stages of maturity, the results of the majority of reviewed Phase III projects are likely to be sustained.

Finding 5: The FSDIP is an effective tool to meet client demands for assistance in developing a reform strategy in the absence of an FSAP.

Finding 6: Reviewed FIRST programs are highly relevant to client needs for financial sector development, and build upon previous diagnostic and analytical work.

Finding 7: The oldest FIRST programs are making significant progress towards realizing planned outputs and some outcomes, demonstrating early signs of effectiveness.

Finding 8: The efficiency of FIRST programs was affected by delays in all five of the programs reviewed.

Finding 9: The sustainability of results of many FIRST programs depends on the passing of laws and regulations, which may take years, and on the capacity of national stakeholders to ensure all components are implemented after completion.

Finding 10: FIRST pays significant attention to quality at the project and program inquiry and proposal stages. Most of those interviewed feel the approval process could be streamlined without compromising quality.

Finding 11: While FIRST design, monitoring and evaluation systems emphasize results, established systems work more effectively for FIRST programs than for FIRST projects.

Finding 12: The objective and principles of FIRST remain very relevant given the financial sector reform needs and resources available to support the needs of LICs and MICs.

Finding 13: FIRST’s broad scope, geographically and thematically, as well as its flexibility to respond to country financial sector reform needs, distinguishes it from existing WB Trust Funds in the F&M Global Practice. Moreover, the demand for financial sector stability strengthening exceeds additional support that may become available if and when the FSSF Trust Fund is established by IMF.
Finding 14: The limited number of FSAPs, combined with FIRST budget caps on diagnostic work that can be done in projects and programs, adversely affects the availability of diagnostic information to inform country financial sector reforms.

Finding 15: There is mixed understanding and value placed by stakeholders on the need for a FIRST brand.

Finding 16: While there is ample evidence that FIRST projects and programs are producing a broad range of outputs for FIRST clients, having positive outcomes, and resulting in some catalytic effects, it is not possible to assess the overall performance of the Initiative given the absence of an approved results framework.

Finding 17: FIRST has been generally effective in meeting its operational targets.

Finding 18: FIRST responded to Phase II evaluation recommendations deemed relevant by the GC, although the evaluation team considers the other recommendations are still relevant. FIRST has responded to or is working on addressing the action items of the 2015 Rabat Consultative Group meeting.

Finding 19: FIRST management costs are reasonable, given the heavy emphasis on project and program monitoring and evaluation.

Finding 20: While the costs of FIRST management are reasonable, the Initiative has several inefficient processes of concern to GC members and FIRST implementing partners alike.

Finding 21: GC members engage actively in FIRST operational activities at some cost to FIRST’s strategic management.

Finding 22: The role played by the PMU Secretariat in supporting FIRST project/program design and approval is appreciated. There are some concerns about the roles of the PMU and TTLs/IMF staff during and after project/program implementation.

Finding 23: While funding for the duration of Phase III is secured, funding for future phases of FIRST is less certain.

Finding 24: As currently designed, the FIRST business model lacks sufficient congruence with FIRST’s demand-driven principle and it is not evident that the distinction between the Catalytic and Programmatic Windows is necessary.

Finding 25: While FIRST’s operational targets are used in tracking performance, stakeholders have some concerns about the appropriateness and number of targets, and the focus on operational targets contributes to a culture that emphasizes activities rather than results.

Finding 26: The design of Phase III has a strong emphasis on results at the project and program levels but pays limited attention to the overall results and performance of the FIRST Initiative.

Finding 27: The Knowledge Management Action Plan is premised on the mistaken view that FIRST itself creates and is a repository of intellectual property.
Finding 28: FIRST is in the process of developing an approach to mainstreaming gender in financial inclusion projects. While the approach is reasonable, it is premature to assess the effectiveness and results of this approach.

Finding 29: To date, FIRST has relied on its multi-year strategy rather than annual workplans to guide its operations. It has not introduced any systems to guide its activities on either a semi-annual or annual basis.