1. Introduction

1.1 The International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (collectively, the “Bank”), the International Monetary Fund (“IMF”) and all donors (“Donors”) to one or more trust funds (collectively, the “Trust Fund”) for the Financial Sector Reform and Strengthening Initiative (“FIRST”) have adopted the present charter (the “Charter”).

1.2 Launched in 2002, FIRST is a collaborative arrangement providing for a technical assistance (“TA”) facility designed to support growth and poverty reduction in low- and middle-income countries by promoting stable, deep and diverse financial sectors. The FIRST arrangement is built upon close collaboration between the Bank and the IMF, both to leverage institutional expertise, and as the designated implementing agencies for FIRST TA. This arrangement also seeks to promote collaboration among a wide range of institutions, including other bilateral agencies and multilateral development banks.

1.3. The Charter sets out the governance arrangements of FIRST that encapsulate this collaborative arrangement.

2. Basic Principles

2.1 Following are basic principles that will guide FIRST (the “Basic Principles”):

2.1.1 *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 technical assistance requests from a wide range of sources for the benefit of client countries. As the designated implementing entities, the Bank and the IMF will prepare funding proposals to be considered for FIRST financing.

2.1.2 *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.

2.1.3 *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.
2.1.4 **TA Beneficiaries**

(a) 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).

(b) Beneficiaries of FIRST assistance must be from either low- or middle-income countries at the time project proposals receive final approval. “Low-income countries” are those defined by the Bank as eligible to receive low or no interest credits or grants from IDA. “Middle-income countries” are those defined by the Bank as eligible to receive IBRD financing.

3. **Objectives**

3.1 FIRST’s overall objective is 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. FIRST’s activities are currently only those financed by the Trust Fund.

3.2 FIRST’s specific areas of focus are to:

3.2.1 Finance TA in the areas of financial sector regulation, supervision and development in response to country demands, provide support to countries to strengthen their financial systems or implement standards and codes in advance of Financial Sector Assessment Programs (“FSAPs”) or Reports on Standards and Codes (“ROSCs”), and facilitate systematic follow-up of related recommendations.

3.2.2. Advise on the preparation and implementation of action plans, development programs and reforms in the financial sector.

3.2.3. Promote coordination in the delivery of financial sector TA and capacity building, drawing particularly on private sector expertise.

3.2.4. Support research on and the dissemination of best practices and useful tools related to financial sector reform and development in low- and middle-income countries.

3.2.5. Work with international standard-setting bodies and other relevant partners to broaden the base of providers supporting countries’ efforts to implement standards and codes in accordance with FSAP and ROSC recommendations and strengthen their financial systems.

3.2.6. Support capacity building and local knowledge exchange.

4. **Governance Structure**
4.1 The Governing Council

4.1.1 FIRST is guided by a Governing Council comprising one representative of each of FIRST’s Main Donors (as defined below), a representative from the Bank and a representative from the IMF (the Main Donors, Bank and IMF together being the “Council Members,” and each a “Council Member”). “Main Donors” are defined as Donors who have committed at least US$ 2,000,000 (two million United States dollars) to FIRST over any three year period.

4.1.2 The chair and the vice-chair of the Governing Council will be selected from among the Council Members. The chair and vice-Chair serve for a two year term.

4.1.3 The Governing Council meets annually and may meet more often as necessary and agreed by the Council Members. The Secretariat provides each Council Member with written notice of a Governing Council meeting not less than sixty (60) days before the date of the meeting unless such notice period has been waived by the Council Members. Such notice states the date, place and time of the proposed meeting and, in the case of a special meeting, the purpose(s) for which the meeting is being called.

4.1.4 Decisions by the Governing Council will be made by consensus of its Council Members representatives. Any decisions of the Governing Council will be made by (i) consensus of all its Council Members representatives physically present at an in-person meeting or in attendance by video or telephone conferences; or (ii) affirmative approval or no objection within ten (10) days on the part of all the Council Members by email correspondence. The Bank and the IMF must abstain from voting in the Governing Council on any project proposals to be financed by the Trust Fund, submitted by the Bank or the IMF.

4.1.5 The Governing Council is responsible for:

(i) Approving FIRST strategy, priorities and operating procedures.

(ii) Establishing selection criteria and processing guidelines for approval of FIRST projects.

(iii) Selecting the Governing Council chair and vice-chair.

(iv) Approving FIRST’s annual strategic plan and budget, receiving progress updates on its results and monitoring its achievement and implementation.

(v) Approving fundraising strategies for FIRST and participating in resource mobilization for FIRST.

(vi) Establishing the selection criteria and requirements for project proposals for consideration for funding from the Trust Fund.

(vii) Approving project proposals to be financed by the Trust Fund.
(viii) Delegating project approval to the Bank and IMF for their respective project proposals.

(ix) Reviewing and evaluating FIRST’s overall performance, including commissioning evaluations.

(x) Approving quality standards and approving monitoring and evaluation frameworks for Bank-executed activities and IMF executed-activities.

(xi) Providing inputs to the terms of reference and feedback on the shortlist of candidates and the two final candidates for the recruitment of the head of the Secretariat (the “Program Manager”). The Governing Council will provide feedback to the Bank on the performance of the Program Manager.

(xii) Defining criteria for joining FIRST as a Donor and making decisions on the composition of FIRST and its governing bodies, including the Project Advisory Committee.

(xiii) Adopting and amending this Charter in accordance with the provisions set forth below.

4.2. Project Advisory Committee

4.2.1 The Project Advisory Committee (PAC) consists of one senior Bank staff, one senior IMF staff and the Program Manager.

4.2.2. PAC provides information to the Governing Council reflecting recommendations by the Bank and the IMF for their respective proposals and coordinates the respective selection and implementation of Bank and IMF activities.

4.3 Secretariat

4.3.1 The Bank administers FIRST’s day-to-day operations, through the Secretariat, as described in this Charter. The Secretariat is located in Washington, DC housed in the Bank’s headquarters. The Secretariat is comprised of professional and administrative staff employed by the Bank and headed by a Program Manager. The Program Manager is responsible for supervising the staff of the Secretariat.

4.3.2 The Secretariat operates under Bank’s management and applicable Bank’s policies and procedures and is also accountable to the Governing Council for carrying out its work program, compiling results of FIRST activities against targets, and abiding by the Charter.
4.3.3 The key responsibilities of the Secretariat, under the supervision of the Program Manager, include:

(i) Managing FIRST’s day-to-day operations, including coordinating with Donors and IMF.

(ii) Providing administrative support to the Governing Council including coordination of meetings, and maintaining records of Governing Council business, including meeting minutes, decisions and amendments to the Charter.

(iii) Identifying opportunities for FIRST assistance by working with key stakeholders.

(iv) Facilitating preparation of project proposals for prospective beneficiaries to be implemented by the Bank.

(v) Recommending strategies, priorities, operational procedures, and monitoring and evaluations systems to the Governing Council.

(vi) Reviewing funding proposals to determine if they meet the eligibility criteria for FIRST funding, prior consideration by the PAC.

(vii) Convening meetings of and providing support for the PAC.

(viii) Monitoring project implementation progress of FIRST projects executed by the Bank.

(ix) Monitoring and evaluation of Bank implementation of FIRST activities in accordance with the monitoring and evaluation framework approved by the Governing Council.

(x) Compiling information on monitoring and evaluation by the IMF of its activities in accordance with the monitoring and evaluation framework approved by the Governing Council, for submission to the Governing Council.

(xi) Preparing drafts of FIRST’s annual strategic plan and budgets, with inputs from IMF for IMF-executed activities, for submission to the Governing Council for approval.

(xii) Providing periodic reports to the Governing Council on the status of the FIRST portfolio, including compiling information received from IMF.

(xiii) Organizing and coordinating meetings and workshops for participation of donors and stakeholders in the financial sector from time to time, to discuss the broad financial sector development agenda and strategies.

(xiv) Disseminating and promoting best practices in financial sector reform and the delivery of financial sector technical assistance.

(xv) Maintaining the FIRST website.

5. Trustee of FIRST Trust Fund
5.1 The Bank will serve as trustee of one or more trust funds (the Trust Fund) established by the Bank to support FIRST activities. Donor contributions are made to the Trust Fund under administration agreements/arrangements entered into by the Bank and each of the donors.

5.2 As trustee, the Bank will hold in trust and administer the funds, assets and receipts that constitute the trust fund in accordance with the terms of the administration agreements/arrangements entered into with the donors with respect to their contributions to FIRST.

5.3 FIRST funds are received by the Bank for the Trust Fund and fifteen percent (15%) of each such contribution is transferred to the IMF’s Subaccount for FIRST contributions established by the IMF under the Instrument for Framework Administered Account for Selected Fund Activities (SFA Framework Instrument), in accordance with the understandings set forth in the documents agreed between the Bank and the IMF and approved by the Donors.

5.4 Upon the transfer of funds to the IMF, the Bank has no responsibility, fiduciary or otherwise, for the use of these funds including the implementation of projects financed by such funds.

6. The Trust Fund

6.1 As set out in more detail in the applicable documentation, the Trust Fund finances the following:

(i) Eligible expenditures incurred in connection with Bank-executed activities, in accordance with Bank policies and procedures, as the same may be amended from time to time.

(ii) Eligible expenditures incurred by the IMF in connection with management and implementation of IMF-executed activities, in accordance with the SFA Framework Instrument governing the Subaccount and other relevant IMF policies and procedures, as these may be amended from time to time.

(iii) Bank costs associated with the management and administration of FIRST, as incurred (a) through the Secretariat and (b) as trustee, will be submitted each year as an annual budget to the Governing Council for approval, provided that such amounts will be adjusted as necessary at the end of each calendar year based on actual costs incurred for activities carried out.

(iv) In addition, the maximum percentage of Bank staff cost to be charged to each trust fund for the implementation of activities will be approved by the Governing Council from time to time, in accordance with paragraph 4.1.4 (i).

7. Miscellaneous
7.1 Nothing in this Charter shall be considered a waiver of, or impair or limit, any privileges or immunities of the IBRD, IDA or the IMF under their respective Articles of Agreement or any applicable law, all of which are expressly reserved.

7.2 This Charter may be adopted or amended by the Governing Council by consensus. Any amendments to this Charter will become applicable to the administration agreements/arrangements and IMF Subaccount as applicable as such amendments take effect through Governing Council decisions without further need to amend the administration agreements/arrangements or IMF Subaccount documents, provided that such amendments do not conflict with other terms of the administration agreements/arrangements or Bank policies and procedures.