

# FIRST 2.0: Creating the Enabling Environment for Financial Markets



# Mission

The Financial Sector Reform and Strengthening Initiative, **FIRST 2.0**, provides technical assistance to build enabling environments for financial markets to support private sector development, inclusive economic growth, employment generation, and poverty reduction.



- Financial stability
- Financial inclusion
- Maximizing finance for development
- Finance for jobs
- SME finance
- Women’s entrepreneurship
- Countries with fragility, conflict, and violence
- Financial technology (FinTech) and cybersecurity
- Green finance

## FIRST’s Value Proposition

FIRST has distinguished itself as an effective catalyst for broader reform programs through its targeted TA interventions, as well as support to develop and implement financial sector strategies. Its effectiveness is underpinned by the following principles:

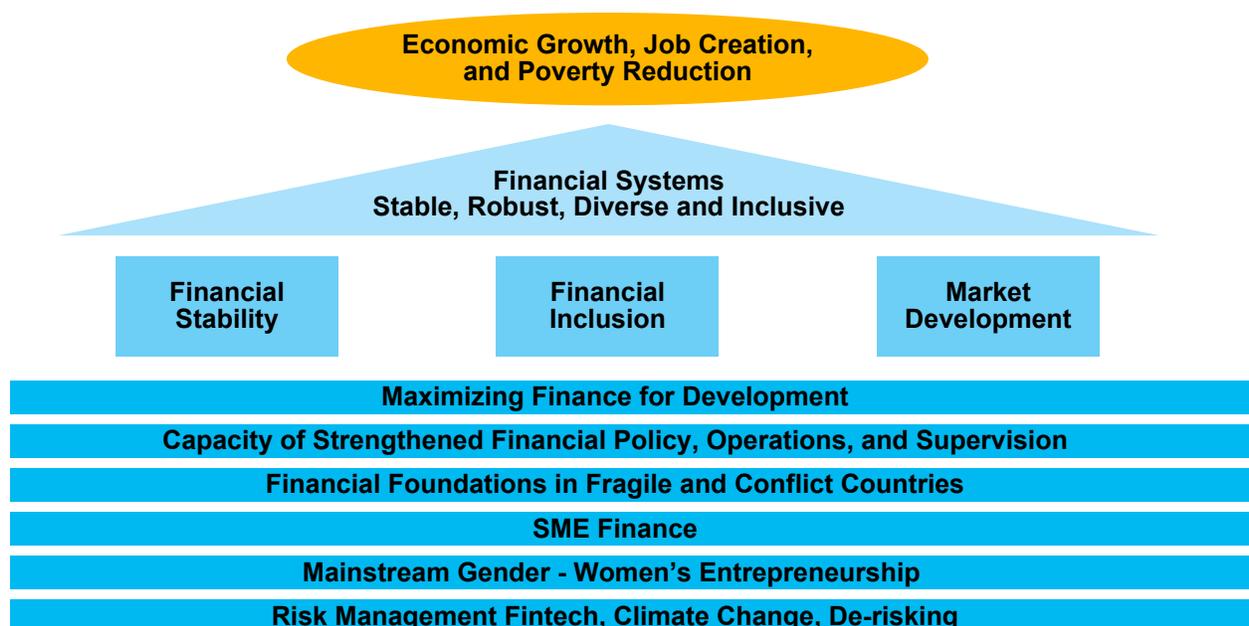
### A Flexible, Demand-Driven, and Holistic Approach

FIRST 2.0 is demand-driven – ensuring country ownership has been one of the critical success factors in the implementation of FIRST funded projects. FIRST takes a holistic approach that is anchored in three interconnected and mutually reinforcing thematic pillars: strengthening financial stability; expanding financial inclusion; and deepening financial markets.

## Program Scope and Priorities

The Financial Sector Reform and Strengthening Initiative (FIRST) is the World Bank and IMF’s flagship global trust fund that supports financial sector stability and development. Established in 2002, FIRST is now moving into its next phase of operations “FIRST 2.0” from 2018-2022.

During this phase, it will focus on creating the enabling environment for financial markets to support private sector development, inclusive economic growth, employment generation, and poverty reduction. FIRST provides technical assistance to financial sector regulators and policy makers. Following are the priority thematic areas under FIRST 2.0:



## Global Outreach and Broad Coverage

By covering countries around the world, FIRST 2.0 can draw on and disseminate a large pool of lessons learned from a multitude of economic and political contexts. Whereas most other trust funds focus on specific geographic or thematic areas, FIRST 2.0's broad coverage of the financial sector make it uniquely placed to address the multidimensional nature of financial sector challenges.

## Additionality

FIRST 2.0 seeks to ensure that its activities are complementary to those from other sources and that its funding does not substitute for, duplicate, or displace more suitable or appropriate assistance available from other sources. This arrangement also promotes collaboration among a wide range of institutions, including other bilateral agencies and multilateral development banks.

## A Clear Focus on Development Impact

FIRST 2.0 has established a robust monitoring and evaluation system that focuses on development outcomes. Each FIRST 2.0 proposal contains a clear results framework which has created a results-focused culture among project implementation teams and recipients. FIRST 2.0 also systematically captures client feedback at completion. The results measurement approach adopted at FIRST has ensured quality control and promoted dissemination and learning.

## Leveraging World Bank and IMF Technical Expertise:

All FIRST 2.0 projects and activities are carried out by experts from the WBG or IMF, or consultants under their supervision, in partnership with country-level financial sector authorities and policy makers. FIRST 2.0's business model is built upon close collaboration between the WBG and IMF, leveraging their presence on the ground and expertise in designing and implementing financial sector reforms. In that respect, policy reform recommendations are based on a sound analytical foundation and deep country and financial sector knowledge.

## A Track Record of Success

FIRST was created in 2002 following the East Asian financial crisis to promote financial sector reforms and adoption of international standards in low- and middle-income countries (LICs and MICs). During its 16 years of operation, it has funded 778 projects in 120 countries around the globe, deploying over US\$181 million to support tailored technical assistance (TA) projects to strengthen financial sector stability, build inclusive financial systems, and deepen financial markets.

## Governance Structure

FIRST 2.0 is guided by a Governing Council comprised of one representative from each of FIRST's donors, a representative from the WBG, and a representative from the IMF. The WBG administers FIRST's day-to-day operations through the Program Management Unit (PMU) which is located in Washington, DC, and is housed in the WBG's Finance, Competitiveness and Innovation (FCI) Global Practice. The PMU is comprised of professional and administrative staff employed by the WBG and is headed by a Program Manager.

## Components

FIRST operates through three components:

- **Diagnostics:** FIRST 2.0 finances country-level financial sector diagnostics to underpin financial sector reforms.
- **Technical Assistance and Capacity Building:** Building on the diagnostics of FIRST, Financial Sector Assessment Programs (FSAPs), or other sources, FIRST 2.0 provides TA, policy advice, and capacity building to ministries of finance, central banks, and financial sector regulators. TA or capacity building projects may be short-term (e.g., 12 months) or longer-term (up to 4 years), depending on the needs of the country and the diagnostics to support the interventions.

45% of the FIRST funded projects are related to FSAP recommendations





**Knowledge Management:**

FIRST 2.0 supports the identification and dissemination of good practices in financial sector reform and development in assisting LICs and MICs. As such, FIRST has established itself as a global knowledge hub and finances a range of knowledge and analytical products. These include Global Knowledge Products, Lesson-Learned Notes, the Knowledge Repository website, FIRST's website, and Peer Learning Events.

Around 63 percent of FIRST's TA has been committed in low-income countries.

## Results and Beneficiaries

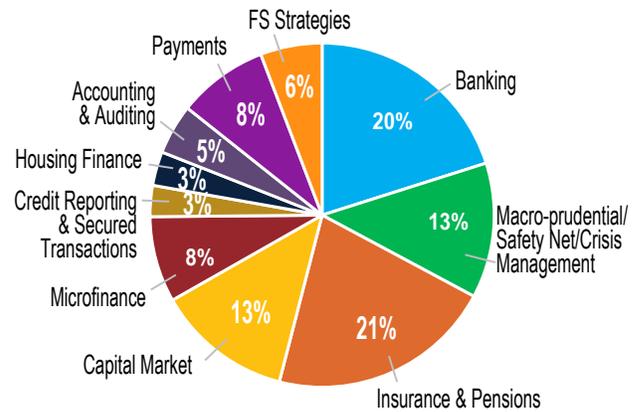
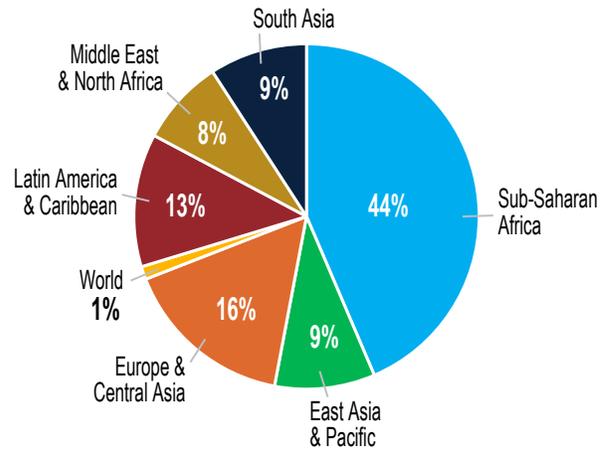
The expected results from FIRST 2.0 are to build sound, stable, and inclusive financial systems in LICs and MICs.<sup>1</sup> FIRST 2.0 supports several Sustainable Development Goals, including those related to ending poverty, promoting gender equality, creating decent work and growth, building resilient infrastructure, reducing inequality, and green finance. Direct beneficiaries are financial sector policymakers and regulators, while ultimate beneficiaries include financial institutions, private sector firms and households, and the population at large.

For more information, please visit [www.firstinitiative.org](http://www.firstinitiative.org)

Over 120

countries have received technical assistance funded by FIRST.

A sectoral and regional snapshot of FIRST's engagements since 2007 is as follows:



\*Cross-cutting areas include macro-prudential, financial infrastructure, financial sector strategy, and business conduct regulation.

1. FIRST uses WBG's classification of LICs and MICs. LICs are those defined as eligible to receive low- or no- interest loans and grants from the International Development Association (IDA). MICs are those defined as eligible to receive loans from the International Bank for Reconstruction and Development (IBRD). Source: [http://data.worldbank.org/about/country-and-lending-groups#Low\\_income](http://data.worldbank.org/about/country-and-lending-groups#Low_income).

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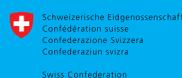
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