



Strengthening Financial Sectors



MISSION

The Financial Sector Reform and Strengthening Initiative, **FIRST**, is a multi-donor grant facility that provides short- to medium-term technical assistance to promote sounder, more efficient and inclusive financial systems.

PROGRAM BACKGROUND

FIRST was created in 2002 following the East Asian financial crisis, with the primary mandate of promoting the implementation of FSAP¹ recommendations and international standards. With over 45 percent of the FIRST funded projects being directly related to FSAP recommendations, this establishes a vital link between FIRST interventions and wider financial sector reform agenda. FIRST supports demand-driven projects that are implementation-oriented, with potential to crowd-in other donors as well as public and private sector interventions for further reforms. Estimate for the catalytic impact indicate that in the past 3 years, \$1 grant by FIRST was able to generate at least \$11 of other donors' support. **Since its inception in 2002, FIRST has funded over 600 projects in about 115 countries, with commitments over US\$ 120 million.**

FIRST is currently supported by 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), as well as the World Bank Group (WBG) and the International Monetary Fund (IMF).



FIRST'S VALUE PROPOSITION:

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

- **A DEMAND-DRIVEN APPROACH WITH OPEN ACCESS**

FIRST aims to be demand-driven and pursues to identify innovative and effective approaches in the delivery of technical assistance. To this end, FIRST accepts technical assistance requests from a wide range of sources for the benefit of client countries, with the WBG and IMF as the designated implementing entities. Ensuring country ownership has been one of the critical success factors in the implementation of FIRST funded projects. This arrangement also promotes collaboration among a wide range of institutions, including other bilateral agencies and multilateral development banks.

- **ADDITIONALITY**

FIRST seeks to ensure that its activities are complementary to those from other sources and that its funding does not substitute for or displace more suitable or appropriate assistance available from other sources.

- **A CLEAR FOCUS ON DEVELOPMENT IMPACT**

FIRST's projects and programs are designed with clear intended results/indicators, to systematically capture client feedback at completion, and to follow-up during post-completion stage. For larger grants (under Programmatic Window), numerical targets are required to be set up front, and progress is tracked

1. Financial Sector Assessment Program (FSAP) is a joint program of the International Monetary Fund and the World Bank that helps to identify financial system vulnerabilities and development opportunities, and develops appropriate policy responses for participating countries.

annually. Overall, the robust results measurement approach adopted at FIRST has been serving the quality control, communication and learning purposes. FIRST endeavors to promote learning and knowledge sharing in the area of financial sector technical assistance.

- **LEVERAGING WORLD BANK AND IMF TECHNICAL EXPERTISE:**

FIRST's business model is built upon close collaboration between the World Bank Group (WBG) and the International Monetary Fund (IMF), leveraging on their presence on the ground and expertise in designing and implementing financial sector reforms. In that respect, policy reform recommendations are based on sound analytical foundation, deep country and financial sector knowledge.

GOVERNANCE STRUCTURE:

FIRST is guided by a Governing Council (GC) comprising of one representative of each of FIRST's donors, a representative from the WBG and a representative from the IMF. The Governing Council is currently chaired by the representative from the Ministry of Foreign Affairs of the Netherlands. The World Bank administers FIRST's day-to-day operations through the Secretariat which is located in Washington, D.C. and is housed in the WBG's Finance and Markets (F&M) Global Practice.

The Secretariat is comprised of professional and administrative staff employed by the WBG and is headed by a Program Manager.



DELIVERY MODEL

FIRST operates through two "windows":

1. **CATALYTIC:** FIRST funds small-scale technical assistance projects, typically 12-18 months (under \$500,000) to tackle targeted, short-term needs, based on country demand.
2. **PROGRAMMATIC:** FIRST funds larger programmatic technical assistance engagements (with an average size of \$2 million) aiming at long-term development outcomes and targets in the areas of prudential supervision in banking and insurance, financial inclusion and market development. These programs are designed to provide funding across multiple projects connected through a well-structured typically, multi-year reform program.

PROJECT TYPE, SECTORS AND REGIONS

FIRST intervention covers a wide range of policy areas and activities with a particular focus on the following; (i) financial sector reform strategy and policy advice, in particular, financial sector development plans following FSAP (ii) advisory services to strengthen legal, regulatory and supervisory frameworks (iii) financial market and product development (iv) and institution and capacity building. Examples of projects funded by FIRST in the past include:

- Assistance in developing and implementing a financial sector development plan for Rwanda which aims to develop a stable, sound financial sector.
- Support for a series of affordable housing finance reforms in India, that helped to broaden the housing market for the poor population.

45%

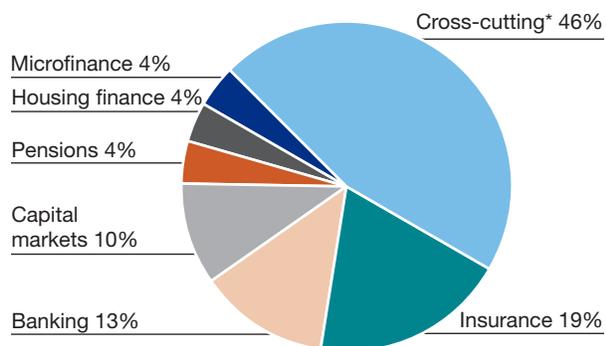
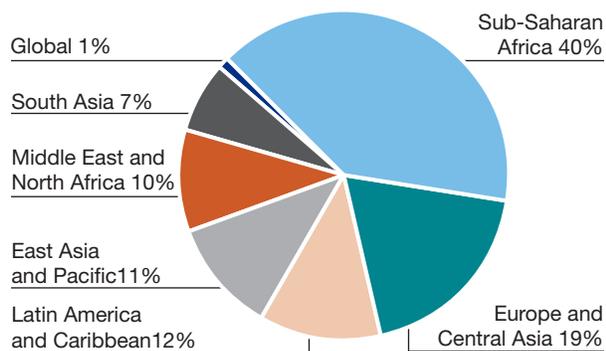
of the FIRST funded projects are directly related to FSAP recommendations

Over 115

countries have received technical assistance funded by FIRST.

- Assistance to the Reserve Bank of Malawi in strengthening its contingency plans for ensuring a prompt, effective response to a financial crisis.
- Support in the assessing the prerequisites for a deposit insurance scheme (DIS) in West Bank and Gaza, which laid the foundation for a fully functioning Deposit Insurance Scheme in West Bank and Gaza.

A sectoral and regional snapshot of FIRST's engagements since its Phase II operations (2007) is as follows:



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

On an average, around 63 percent of FIRST's technical assistance has been committed in low-income countries and around 40 percent of total FIRSTs technical assistance has been provided to the Africa region.

ELIGIBLE BENEFICIARIES

Eligible beneficiaries of FIRST technical assistance are government agencies, regulatory bodies, and - under limited circumstances, quasi-public institutions such as self-regulating organizations, from low- and middle-income countries. FIRST uses WBG's classification of low- and middle-income countries.²

For more information, please visit www.firstinitiative.org

2. Source: http://data.worldbank.org/about/country-and-lending-groups#Low_income

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

CONTACT

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