Financial Sector Stability Fund

PHASE I KEY ACHIEVEMENTS REPORT

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GLOSSARY

BIS	Bank for International Settlements
BSA	Balance Sheet Approach
CBK	Central Bank of Kosovo
CD	Capacity Development
ECF	Extended Credit Facility
ELA	Emergency Liquidity Assistance
EMDE	Emerging Markets and Developing Economies
ESS	External Sector Statistics
D4D	Data for Decisions
DRC	Democratic Republic of Congo
FCS	Fragile and Conflict-Affected States
FRM	Financial Reform Module
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSD	Financial Stability Department
FSI	Financial Soundness Indicator
FSM	Financial Statistics Module
FSR	Financial Stability Report
FSSF	Financial Sector Stability Fund
FSSR	Financial Sector Stability Review
FY	Fiscal Year
GFS	Government Finance Statistics
ICD	IMF's Institute for Capacity Development
IFRS	International Financial Reporting Standards
IIP	International Investment Position
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
LEG	IMF's Legal Department
LLMIC	Low- and Lower-Middle-Income Country

LTX	Long-term Expert
MCM	IMF’s Monetary and Capital Markets Department
MFS	Monetary and Financial Statistics
MoU	Memorandum of Understanding
NBC	National Bank of Cambodia
NBFI	Non-Bank Financial Institution
NSFR	Net Stable Funding Ratio
ODC	Other Depository Corporations
OFC	Other Financial Corporations
RBM	Results-based Management
RBS	Risk-based Supervision
RCDC	Regional Capacity Development Center
SC	Steering Committee
SCF	Somalia Country Fund
SROC	Supervisory and Regulatory Online Course
SRP	Supervisory Review Process
SRR	Special Resolution Regime
CRSOC	Cyber Risk Supervision Online Course
SRFs	IMF’s Standardized Report Forms
STA	IMF’s Statistics Department
STX	Short-term Expert
TA	Technical Assistance
WB	World Bank

EXECUTIVE SUMMARY

The Financial Sector Stability Fund (FSSF) is a multi-donor thematic fund dedicated to promoting and strengthening financial stability in low- and lower-middle income countries (LLMICs) and Fragile and Conflict-affected States (FCS). Phase I of the FSSF spanned from November 2017 (FY2018) to December 2024 (FY2025)[1]. The FSSF's capacity development (CD) activities build on Financial Sector Stability Review (FSSR) diagnostics with two complementary modules: the Financial Reform Module (FRM) of the IMF's Monetary and Capital Markets (MCM) Department and the Financial Statistics Module (FSM) of the IMF's Statistics (STA) Department.

Since its inception in November 2017, the FSSF has been instrumental in strengthening financial stability frameworks in LLMICs and FCS. The FSSF has established a strong track record in assisting recipients improve the resilience of their financial systems, as recognized by the independent evaluation of Phase I. During Phase I, Twenty-six FSSR diagnostics were conducted, and nine bilateral resident advisors were appointed to central banks of recipient countries, with notable achievements across the two Modules[2].

FSSF-funded CD under the Financial Reform Module has delivered tangible results. Financial sector frameworks have been strengthened in many jurisdictions, mainly through the implementation of risk-based supervision, the alignment of the regulatory frameworks with Basel standards, the strengthening of financial sector oversight, the identification of systemic risks and the development of related policy frameworks, and the establishment of resolution and crisis management frameworks. Feedback from country authorities on financial sector CD was consistently positive, and demand for additional CD remained strong.

The Financial Statistics Module has also resulted in significant improvements in the availability and quality of financial sector statistics. The Financial Statistics Module supported eligible countries in strengthening their capacity to provide reliable financial sector and balance sheet statistics to policy makers for assessing financial stability risks and vulnerabilities. In particular, recipient countries were able to improve the compilation methodologies and coverage of the financial soundness indicators (FSIs) and enhance the underlying data for the compilation of the Balance Sheet Approach (BSA) matrix.

A close integration of FSSF-financed CD with IMF surveillance and lending, together with an active engagement of authorities have underpinned FSSF Phase I activities. The FSSF reform agenda is sequenced and prioritized together with the authorities and in close consultation with IMF area

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[1] IMF's fiscal cycle runs from May 1st through April 30th the following year.

[2] The following countries benefited from FSSR diagnostics during Phase I: Bangladesh, Burundi, Cabo Verde, Cambodia, The Democratic Republic of the Congo (DRC), Djibouti, Eswatini, The Gambia, Guinea, Kosovo, Lesotho, Madagascar, Moldova, Nicaragua, Nepal, Papua New Guinea (PNG), Rwanda, Sierra Leone, Somalia, Sri Lanka, Tajikistan, Uganda, Uzbekistan, Vietnam, West Bank and Gaza, Zimbabwe. However, five of these FSSR diagnostics (Bangladesh, Moldova, Nepal, Tajikistan, Vietnam) were not funded by FSSF. During Phase I, bilateral resident advisors were appointed in Cambodia, Djibouti, The DRC, the Gambia, Rwanda, Sierra Leone, Sri Lanka, Uganda, and Uzbekistan. A non-FSSF funded resident advisor was appointed in Tajikistan. They covered the workstreams of banking supervision and regulation (Djibouti, The Gambia, Rwanda, Sierra Leone, Uganda) and systemic risks analysis and macroprudential policy (Cambodia, The DRC, Sri Lanka, Tajikistan, Uzbekistan).

department country teams. Over the years, FSSRs have initiated and rolled out the development of policy frameworks and institutional capacity that actively supported and reinforced surveillance policy advice and program lending arrangements. At the same time, IMF arrangements and surveillance activities have supported the follow-through of FSSR-related reforms. The presence of FSSF-funded resident advisors in the field has helped tailor surveillance and program design based on the capacity on the ground, which enhanced impact and traction. The wide coverage of FSSR in staff reports has increased the visibility of FSSF-financed CD activities and strengthened integration between CD and surveillance.

Phase II of the FSSF commenced in May 2024 and operated concurrently with Phase I from May to December 2024. Phase II builds upon lessons learned from Phase I. Many recipient countries under Phase I have pursued organizational and institutional reforms that necessitate continued capacity building. Going forward, the FSSR follow-up TA projects under the Financial Reform Module will focus on a relatively small number of workstreams to align the CD work with the absorption capacity of the recipient. The Financial Statistics Module will continue to focus on improving the underlying compilation framework for FSIs and expanding the coverage to non-bank financial institutions, as well as developing consistent source data for all the BSA primary statistics including covering emerging topics such as digital money and crypto assets.

This report presents the key achievements of the FSSF-financed projects under Phase I and outlines the lessons learned and challenges. It also discusses the way forward as well as the financial highlights of Phase I of the FSSF.

I. INTRODUCTION

1. **The FSSF is now a well-established thematic fund that supports IMF programmatic CD to foster and strengthen financial sector stability in LLMICs and FCS.** The FSSF was launched by the IMF and a group of donor partners in November 2017, and its Phase I started in FY2018. The duration of Phase I was initially planned to be five years and was extended by two years for a total of seven years (FY2018-2025) in response to delays in delivery caused by the COVID-19 pandemic. An additional extension of eight months (May–December 2024) was granted by the FSSF Steering Committee (SC) in 2024 to help facilitate a smooth transition of TA activities between Phase I and II. To achieve the FSSF's objective, the MCM and STA Departments of the IMF have developed the FSSR as the key CD instrument, complemented by online courses and workshops. The FSSR aims to provide diagnostic reviews upon which technical assistance (TA) programs to strengthen the stability of the financial system can be built and implemented. It identifies key gaps and vulnerabilities in the financial system and prioritizes financial sector reforms to fill those gaps, including in the areas of data coverage and quality, through targeted CD supported.

2. **CD activities under FSSF Phase I have been delivered through two complementary Modules including the Financial Reform Module and the Financial Statistics Module.** The Financial Reform Module aims at strengthening the capacity of country authorities to identify, measure, analyze, and mitigate risks to financial stability. The Financial Statistics Module aims at ensuring the availability of reliable and comprehensive financial sector statistics. The activities of the Modules have been closely coordinated by the MCM and STA Departments of IMF.

3. **The FSSF has built a strong track record and gained widespread recognition since its inception in 2017.** Under Phase I, the FSSF assisted LLMICs and FCS in strengthening financial sector policy frameworks. The independent evaluation of Phase I of the FSSF concluded that the program was well-designed and performed well, recommending the program's renewal (Annex II). The objectives and outcomes of the FSSF-financed CD projects are combined in a strategic logical framework (logframe) that measures and monitors results and is fully consistent with the IMF's results-based management (RBM) framework. The status of activities under the FSSF program-level reporting logframe is presented in Annex I.

4. **Twenty-six FSSR diagnostics were conducted under Phase I.** In addition, nine bilateral resident advisors were appointed[3]. Most of the diagnostics under Phase I received follow-up TA projects across the main pillars of the Financial Reform Module, including regulation and supervision, systemic risk oversight, and financial safety nets (Figure 1)[4].

5. **Significant progress was made under the financial Reform Module to strengthen the financial sector oversight and financial stability in LLMICs and FCS.** The FSSR CD projects exhibited impactful results such as the enhancement of risk-based supervision frameworks, the

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[3] An additional resident advisor was funded bilaterally by Switzerland's State Secretariat for Economic Affairs (SECO).

[4] In Phase II, the Financial Reform Module of the FSSF was structured under three main pillars, namely financial regulation and supervision, systemic risk oversight, and financial safety nets. These are represented respectively by the objectives 1-2, 3-5 and 4, in the program-level reporting logframe (Annex I).

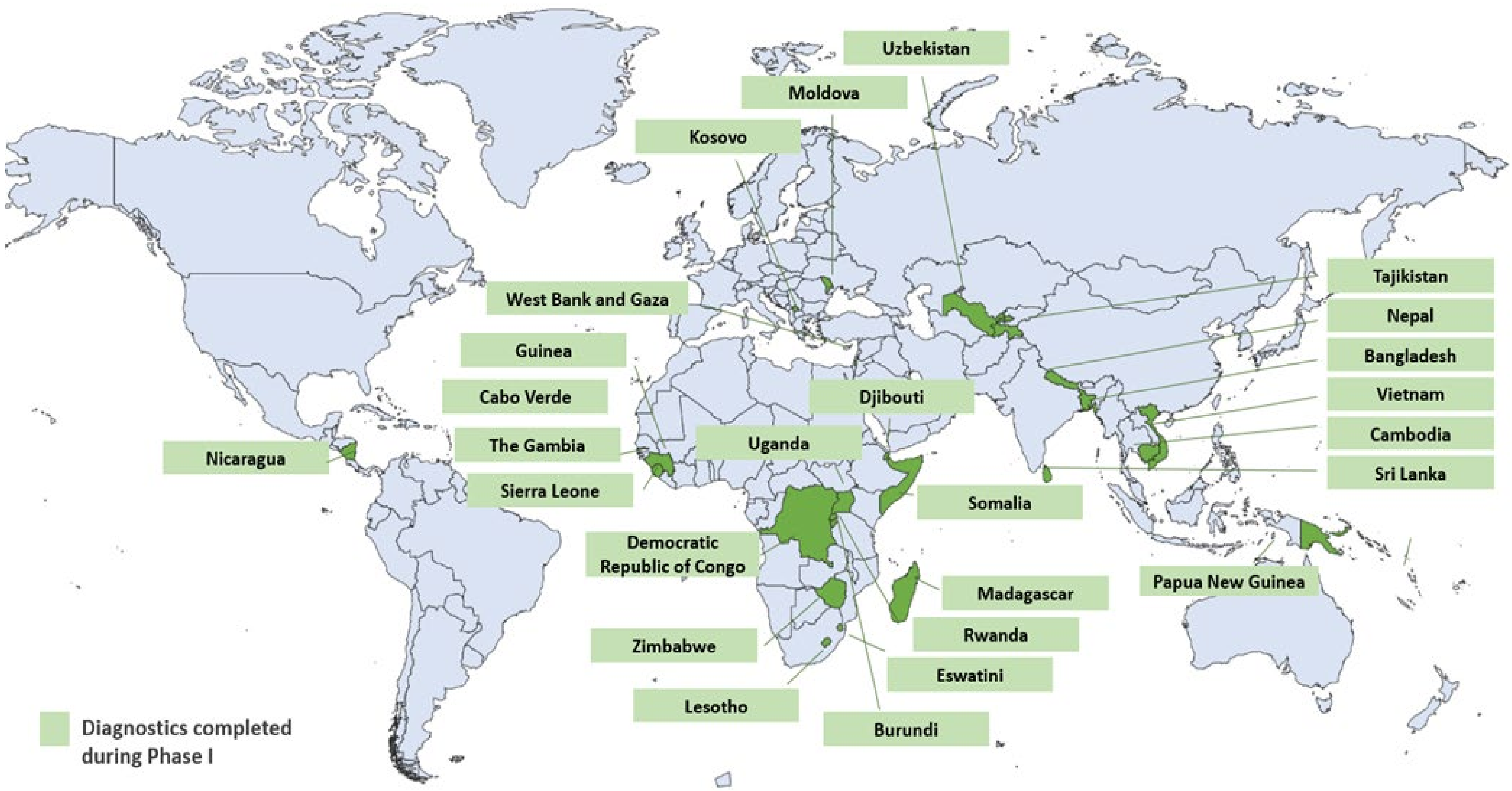
establishment of financial stability departments and adoption of macroprudential policy tools, the implementation of Emergency Liquidity Assistance (ELA) framework and the upgrading of bank resolution frameworks. The CD activities under Phase I also promoted learning and dissemination of knowledge through online and face-to-face training, which aimed at strengthening the understanding of fundamental regulatory and supervisory concepts and key elements of cybersecurity and cyber risk supervision. Feedback from country authorities has been consistently positive, and demand for additional CD remained strong (Box 5).

6. Phase I CD support under the Financial Statistics Module has led to improvements in the availability and quality of financial sector statistics in recipient countries. A large fraction of FSSF eligible countries have received CD support under the FSIs and the BSA Sub-Modules. This has resulted in more than 51 countries introducing the new compilation methodology for their FSIs, 34 countries enhancing their primary statistics for compilation of BSA matrices, and 43 countries addressing topic-specific data issues.

7. FSSR integration with IMF surveillance and lending, combined with active engagement of recipient authorities, has been central to increase CD impact under Phase I. The FSSR reform agenda is jointly sequenced and prioritized in close collaboration with the authorities and IMF area departments country teams, fostering a shared understanding of objectives and strengthening policy traction and follow-up. Over time, FSSRs have contributed to building institutional capacity and policy frameworks that reinforce surveillance policy advice and lending programs. In turn, IMF arrangements and surveillance activities have supported the implementation of FSSR reforms. The deployment of FSSF-funded resident advisors has further enhanced integration by allowing surveillance and program design to be tailored to local capacity, increasing both impact and policy traction. The broad coverage of FSSR in staff reports has increased visibility of CD efforts and reinforced integration between CD and surveillance (Box 1).

8. Phase II commenced in May 2024 for the Financial Reform Module and in January 2025 for the Financial Statistics Module. Many central banks are pursuing organizational reforms that will require further capacity building and the FSSR's well-structured approach keeps the CD programs fully anchored into the needs of countries. The complementarity of the two Modules is crucial for the success of FSSF-funded programs. The focus of FSSR follow-up TA projects will be on targeting a relatively small number of workstreams under individual projects, aligning with the priorities and absorption capacity of the CD recipient. Multi-country activities will continue to support capacity building in areas of high demand, enhancing the skills and knowledge of country officials in an accessible and efficient manner. The Financial Statistics Module will continue to focus on improving the underlying data compilation framework for FSIs and expanding the coverage to non-bank financial institutions (NBFI) and concentration and distribution measures, as well as developing consistent source data for all the BSA primary statistics including covering emerging topics such as digital money and crypto assets.

Figure 1. FSSR Country Coverage
(Diagnostics under Phase I)



II. KEY ACHIEVEMENTS

A. FINANCIAL REFORM MODULE

9. **CD support under the Financial Reform Module has been instrumental in strengthening financial sector stability in LLMICs and FCS.** Under Phase I, twenty-six FSSR diagnostics were conducted, and nine bilateral resident advisors were appointed. Most of the diagnostics under Phase I received follow-up TA projects across the main pillars of the Financial Reform Module. For a total of over one hundred follow-up TA missions were conducted under FSSF Phase I (Table 1)[5]. Financial sector regulation and supervision accounted for the largest share of TA missions during Phase I (42 percent), followed by systemic risk oversight and macroprudential policy and banking resolution and financial safety net (Figure 2).

10. **Integration between FSSR CD and surveillance and lending activities was central to successes in FSSF Phase I.** The FSSR reform agenda is jointly prioritized with authorities and IMF area departments country teams, which enhances policy traction and follow-up. FSSR diagnostics have helped frame the CD strategy and priorities for financial sector in recipient countries under IMF-supported arrangements. Conversely, IMF arrangements and surveillance activities have supported the follow-through of FSSR-related reforms (Box 1).

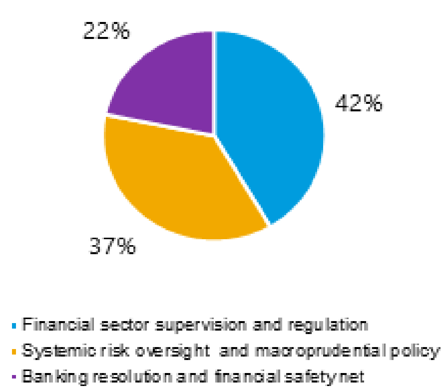
11. **The key CD achievements under Phase I in financial sector frameworks in LLMICs and FCS build upon the three pillars of the Financial Reform Module.** These pillars are financial sector regulation and supervision, systemic risk oversight, and financial safety nets. FSSF-financed CD has delivered tangible results ranging from enhanced risk-based supervision frameworks, the establishment of financial stability departments and adoption of macroprudential policy tools, the upgrading of bank recovery and resolution frameworks. Important results have also been achieved through the multi-country online courses and workshops.

Table 1. Diagnostics and TA missions

Fiscal Years	Diagnostics	Follow-up TA
FY2018	1	0
FY2019	6	1
FY2020	5	3
FY2021	3	13
FY2022	4	17
FY2023	2	17
FY2024	2	35
FY2025	3	15
Total	26	101

Note: TA delivered by the bilateral resident advisors are not included.

Figure 2. Distribution of FSSR-follow TA missions by the Financial Reform Module pillars



[5] The number of FSSR follow-up TA missions do not include the missions conducted by the bilateral resident advisors.

Box 1. FSSR integration with IMF surveillance and lending

The integration of FSSR and its follow-up TA with IMF surveillance and lending was a key achievement of FSSF Phase I. This integration has been underpinned by the active engagement of country authorities and strategic collaboration with IMF area department country teams. The reform agenda supported under FSSF Phase I has been sequenced and prioritized jointly with authorities and in coordination with IMF area departments, which fosters a shared understanding of objectives and enhances policy traction and follow-up. Over the years, FSSR diagnostics and their follow-up TA have played a pivotal role in supporting IMF surveillance and program implementation through the development of policy frameworks and institutional capacity. Concurrently, IMF arrangements and surveillance activities have reinforced the implementation of FSSR-related reforms. Under Phase I, the FSSR diagnostics informed surveillance policy advice and acted as a conduit for financial sector reforms embedded in lending arrangements. More than half of the twenty-six diagnostics conducted under FSSF Phase I took place while recipient countries were either already or became engaged in an IMF lending arrangement within the subsequent three years. All beneficiary countries were engaged through surveillance. The presence of FSSF-funded resident advisors in the field has helped tailor surveillance and program design based on the capacity on the ground, which enhanced impact and traction. The wide coverage of FSSR in staff reports has increased visibility of FSSF-funded CD activities and reinforced integration between CD and surveillance.

FSSR diagnostics and follow-up TA have supported program implementation and triggered financial sector reforms under IMF arrangements. Recommendations from FSSR diagnostics helped identifying key financial policies and related indicators utilized in IMF lending arrangements in accordance with the recipient authorities' reform objectives. Follow-up TA has been instrumental to enable the recipient authorities to achieve mutual objectives set out in Fund programs. In turn, IMF arrangements have supported the implementation of FSSR reforms. For example, enhancing financial sector supervision and regulation was a structural benchmark under the Extended Credit Facility (ECF) arrangements for the Democratic Republic of the Congo (DRC) and Sierra Leone, aligning with FSSR recommendations. Moreover, the memorandums of economic and financial policies, setting the reform objectives and priorities in the context of the IMF arrangements, for DRC, Cabo Verde and Nepal includes the implementation of FSSR recommendations. FSSR follow-up TA has been aligned with the objectives of Nepal's ECF program.

In the context of surveillance, FSSR diagnostics have shaped policy discussions and guided CD priorities by identifying critical areas for financial reforms aligned with authorities' objectives. Under FSSF Phase I, FSSR has formed the basis for recommendations and establishing CD priorities during the Article IV consultations. The coverage of FSSR and its follow-up TA in IMF staff reports was substantial, with nearly all reports produced after the diagnostics including information related to FSSR. This has increased FSSR visibility and mutually reinforced CD and surveillance. For instance, the 2019 FSSR steered key financial sector policy recommendations for the Gambia 2021 Article IV consultation. The 2024 Article IV consultation and country engagement strategy for the DRC outlined CD priorities, with the financial sector component grounded in the 2022 FSSR diagnosis. The FSSR diagnostic helped to design CD strategy with the authorities in the context of the 2021 Article IV consultation in Sri Lanka.

➢ REGULATION AND SUPERVISION

12. The FSSR follow-up TA projects under FSSF Phase I have facilitated reforms in recipient countries by addressing major gaps in financial sector supervisory and regulatory frameworks. This has been achieved through strengthening risk-based supervision (RBS) of financial institutions and proposing new regulatory reforms which improved the capacity of the authorities to act preemptively in a wide range of scenarios. The CD projects assisted the authorities in enhancing financial sector oversight through an effective supervision approach, drafting and adopting new banking laws, as well as strengthening and aligning their regulatory frameworks with international standards.

13. Regarding the supervisory approach, risk-based supervision was a key focus in most of the countries that benefited from an FSSR diagnostic under Phase I. The FSSF-financed CD activities enabled the conduct of a pilot risk-based examination of banks in Gambia and the advancement of the transition to a risk-based supervisory approach for the insurance sector in Kosovo. A methodology for a bank scoring system was developed and finalized in the Democratic Republic of Congo (DRC) (Box 2). Rwanda and Uganda benefited from the improvement and operationalization of their RBS. In Guinea, RBS implementation focused on enhancing the supervisory review process (SRP) and the introduction of early warning indicators. The Bank of Sierra Leone upgraded its supervisory processes based on the FSSR follow-up work.

14. The FSSF-funded CD projects contributed to the resumption and improvement of both on-site and off-site supervision. The resumption of on-site inspections, under the guidance of the FSSF-appointed resident advisor to the Central Bank of Djibouti, was a significant achievement. Thanks to the FSSF-financed bilateral resident advisor, the Central Bank of The Gambia created a supervisory reporting template and dashboard for quarterly off-site analysis. This provided the central bank with a better understanding of the performance of banking institutions and large borrower and sectoral exposures. The on-site supervisory practices were enhanced in the DRC with an upgraded methodology for the on-site control of credit files. The FSSR project in Uganda supported the implementation of improved off-site analysis for banks and non-bank financial institutions (NBFIs) to enhance supervisory effectiveness, aligning corporate governance guidance with Basel standards, and updating the risk-based licensing process.

15. From a supervisory perspective, the FSSR follow-up TA under Phase I also supported the development of bottom-up stress tests. A bottom-up stress test tool was developed in Uganda, enabling the central bank to enhance risk assessments and accurately reflect the risk profiles of the five largest banks in their capital levels. In Rwanda, the FSSF-appointed Resident Advisor assisted with streamlining the reporting process for bottom-up stress tests and with creating user-friendly supervisory reports that utilize standardized templates for outcomes, input parameters, and scenarios, thereby ensuring comparability across different banks.

16. The TA projects under FSSF Phase I prompted the enhancement of legislative frameworks in several jurisdictions. The Central Bank of The Gambia completed a new banking bill, which was successfully approved by its Board in 2024. The Central Bank of Kosovo revised the banking law in 2024 to reinforce the regulatory framework for banking operations and ensure better compliance with international standards. A draft of a new banking law was developed in Guinea as a foundation for financial sector reform.

17. **The strengthening of the regulatory frameworks to align with Basel standards was a key achievement of CD missions in many recipient countries**. To ensure that financial institutions maintain sufficient liquidity buffers and stable funding to improve their resilience, the FSSF-projects assisted in transitioning to Basel liquidity standards in Kosovo, the DRC, and Zimbabwe. Furthermore, reviews of core banking regulations—including on capital requirements and credit risk weights— in the context of FSSR follow-up TA were crucial to the Central Bank of the DRC to advance its reform agenda, with a view to converge towards Basel III standards. Working with the Central Bank of the Republic of Guinea, regulations pertaining to the definition of own funds and the calculation of capital requirements were revised to align with Basel II and Basel III standards. The enhancement of the consolidated supervision framework and the finalization of Basel III capital regulatory framework by the Reserve Bank of Zimbabwe were other important achievements from the FSSR follow-up TA projects. The FSSR project also enabled the Bank of Sierra Leone to issue guidelines on corporate governance, credit risk management, enterprise risk management and FX Lending.

Box 2. FSSR in the Democratic Republic of Congo (DRC)

The FSSR project in the DRC aimed to support the Central Bank of Congo (CBC) strengthening its expertise through programmatic CD. The project covered five key areas: financial regulation and supervision, macroprudential policy and systemic risk monitoring, crisis management and financial safety net, financial inclusion and the gender dimension of financial stability. Engagement in the DRC is continuing under Phase II of the FSSF. The box focuses on Phase I achievements.

The FSSR report was published in September 2022 and the CD work plan was agreed with the authorities in March 2023, with implementation starting in FY2024. CD delivery began robustly, thanks to the sustained engagement demonstrated by the authorities. The implementation of the FSSF follow-up TA projects remains excellent.

The project in the DRC quickly exhibited meaningful achievements in financial stability and banking regulation and supervision. At the inception of the FSSR project, the CBC lacked an explicit mandate and the operational capacity for macroprudential policy. The financial stability function was not yet established, and there were no operational mechanisms in place to support macroprudential oversight. Although the CBC had basic tools available for implementing risk-based supervision, these tools were not fully integrated into the supervisory process. Both on-site supervision and the regulatory framework were outdated, and stress testing was not utilized as part of risk-based supervision. In this context, the high level of financial dollarization—amplifying systemic risks—highlighted the need for robust banking supervision, enhanced financial stability oversight, and rigorous macroprudential policies to anticipate potential crises and enable timely intervention. The FSSR project has therefore been critical in establishing the foundations for effective supervision by strengthening both on-site and off-site supervisory practices, as well as updating regulatory frameworks—contributing to the overall stability of the financial system. Concurrently, ongoing efforts to enhance institutional capacity in financial stability analysis and macroprudential policy have the potential to inform supervisory actions and support timely corrective measures and early interventions.

FSSR follow-up TA supported the CBC decision to establish a Financial Stability Department (FSD) and a macroprudential unit, as well as in revising the law governing the establishment and organization of the Financial Stability Committee (FSC). TA helped the authorities set up an FSD to support the work of a newly formed FSC, along with a macroprudential unit equipped with the necessary human capital and material resources. Work is ongoing to establish new decision-making structures on macroprudential policies, alongside agreements signed between the Ministry of Finance and the CBC, which designates the CBC as the macroprudential authority.

The resident advisor at the CBC for financial stability and macroprudential policy has played a pivotal role in defining the macroprudential framework and the objectives of the central bank's

macroprudential policies. He was instrumental in the establishment of the FSD and currently supports analytical work and tools. He is also overseeing the completion of the first Financial Stability Review, in line with the milestones set by the FSSR project.

In banking regulation and supervision, three key achievements are noteworthy, thanks to the resident advisor from Afritac Centre (AFC), one of the IMF's seventeen regional capacity development centers:

i) The CD project supported key regulatory reforms in the DRC aimed at aligning regulations with Basel III standards, while adopting simplified approaches where necessary. Several reviews of key core banking regulations were conducted, focusing on related-party lending, capital requirements, credit risk weights, and liquidity.

ii) The finalization of a new methodology for the bank scoring system was another major achievement, fully integrated into the supervisory process in FY2025.

iii) The on-site supervisory practices were strengthened. The methodology for onsite control of credit files was enhanced in FY2024, followed by a comprehensive revision of the on-site supervisory manual in FY2025. In addition, several training sessions were conducted for junior CBC supervisors, including training on implementing credit file reviews and stress testing.

Overall, the FSSR project for the DRC rapidly gained momentum with tangible results following the initiation of the CD workplan. In FY2024, the DRC became the top recipient of TA from MCM. The implementation of the FSSF TA workplan was carried out in close collaboration with the World Bank to avoid overlap, especially in workstreams where the WB was already supporting projects such as insurance supervision.

➢ SYSTEMIC RISK OVERSIGHT

18. FSSF-financed projects under Phase I laid the foundation for safeguarding financial stability by identifying systemic risks and designing policy responses. CD projects provided hands-on support to the authorities of recipient countries in monitoring and analyzing systemic risks within an enhanced organizational and institutional setup. CD projects helped develop and enhance macro stress-testing tools across several jurisdictions. A framework for the policy response to identified risks was established, supported by effective macroprudential policy toolkits.

19. FSSR follow-up TA projects significantly strengthened institutional and organizational capacity to oversee the financial sector in LLMICs and FCS. CD projects supported the creation of a financial stability department in Uzbekistan (2021), the DRC (2024) and Cambodia (2024) and the upgrade of the financial stability analysis through stress testing and macroprudential analysis (Box 2 and 3). A macroprudential unit was established in the Gambia to conduct stress testing and develop a financial stability report, while a new modelling unit in the macro surveillance department played a key role in revamping of the stress-test framework in Sri Lanka. In Cambodia, the update of the mandate of the National Bank of Cambodia' s Financial Stability Committee (FSC) in early 2024 elevated the role of financial stability work and contributed to a more robust institutional set-up. Staff from all these new units gained knowledge from financial stability trainings financed by the FSSF under Phase I.

20. An important outcome of the FSSF-funded TA projects was the development and enhancement of tools for assessing, monitoring and analyzing systemic risk in recipient countries. The FSSR follow-up TA projects strengthened data collections to better monitor systemic risks (Sri Lanka, Lesotho) and developed tools to analyze and assess these risks, including financial stability heatmaps (Cambodia, Uzbekistan), indicators to assess the vulnerability of borrowers, and a successful mapping of the exposure of local banks to other financial institutions (Lesotho). In Sri Lanka, the interconnectedness and contagion analysis frameworks were fully implemented.

21. **TA projects supported the authorities in most recipient countries in developing and enhancing their stress testing frameworks.** FSSR follow-up TA projects upgraded the stress-testing frameworks by providing hands-on support to the authorities in moving from a simple sensitivity analysis towards a multi-period scenario-based framework (Cabo Verde, Sierra Leone), conducting a multi-factor stress test to assess the resilience of the banking sector to adverse shocks (West Bank and Gaza), developing a relatively advanced suite of stress-testing models (Kosovo, Rwanda), and implementing and strengthening solvency and liquidity stress tests (Uzbekistan, Sri Lanka). Stress testing capacity was also strengthened in Gambia and Uganda. The stress testing framework of the National Bank of Cambodia (NBC) was strengthened by helping the authorities develop satellite regression models, which enabled NBC staff to consistently apply bank level projections in forward-looking scenario-based solvency stress tests. TA also helped adapt the IMF solvency stress test toolbox to the Cambodian banking system and data. NBC staff benefited from multiple training sessions on stress testing issues.

22. **The establishment of a comprehensive macroprudential policy framework, along with the development of an effective macroprudential policy toolkit, was a significant achievement of the FSSR follow-up TA projects under Phase I.** Work on systemic risk analysis was completed through the establishment of effective macroprudential frameworks in many countries. For instance, in Sri Lanka, some key macroprudential policy instruments —including the countercyclical capital buffer, a capital surcharge for systemically important banks, as well as borrower-based measures and sectoral capital measures—were developed under the Phase I CD project. The Sri Lankan authorities adopted a legislation granting the central bank strong macroprudential powers and establishing clear decision-making mechanisms. A comprehensive macroprudential framework was established in Uzbekistan, who had no framework to monitor systemic risks. The FSSF-financed project supported the operationalization of a macroprudential policy framework in Sierra Leone. Finally, follow-up TA was instrumental in helping the Cambodian authorities achieve tangible results in all aspects of macroprudential policymaking, including the enhancement of systemic risk analysis and the preparation and publication of a macroprudential policy strategy document.

23. **Financial stability communication was strengthened in several countries through the development and publication of financial stability reports.** Thanks to the FSSF-funded CD project, the Bank of Sierra Leone resumed the practice of regularly preparing and publishing an annual Financial Stability Report (FSR). The publication of the FSR was started in Uzbekistan and Cambodia, where the FSR has become a very important communication channel on financial stability issues for the National Bank of Cambodia. The enhancement of the FSR in the Gambia and its review in Lesotho were substantial achievements under Phase I.

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Box 3. FSSR in Uzbekistan

The objective of the FSSR follow-up TA project was to support the Central Bank of Uzbekistan (CBU) in strengthening its financial sector stability framework. The FSSR report was published in December 2020, the follow-up TA workplan was agreed with the authorities in December 2021 and the first activity was in March 2022. As agreed with the Uzbek authorities and coordinated with the partner agencies, the project focused on three areas: (i) developing a macroprudential policy framework at the CBU, (ii) strengthening stress testing methodologies, and (iii) enhancing the emergency liquidity assistance (ELA) arrangements.

The Uzbek financial sector underwent a major transformation which necessitated a modernization of the financial sector stability framework. The ambitious reform efforts launched in 2017 aimed at reducing the share of government in the ownership and funding of financial institutions over the medium term, via privatization and greater reliance on private financing. This highlighted the importance of ensuring adequate capacity of the regulatory and supervisory authorities to detect, monitor, and address emerging risks. Systemic financial risk analysis and macroprudential policymaking were not existent in Uzbekistan in 2021, when the FSSR project was launched.

The implementation of the FSSR follow-up TA project was excellent. Supported by good traction with the authorities, strong engagement of MCM functional divisions involved in the workstreams covered by the project, and an active role of the IMF area department country team, TA activities took place in line with the original project proposal.

The project utilized different modalities. TA on macroprudential policy was delivered through a dedicated resident advisor who was placed at the CBU's Financial Stability Department for almost two years. TA on stress testing and ELA was delivered through short term experts (STX) and HQ staff missions. One mission in early 2022 was conducted in a fully virtual format due to the COVID-related travel restrictions at that time. All other missions in 2023-2024 were done in-person.

The FSSR follow-up TA project was instrumental in enabling the Uzbek authorities to achieve tangible results in all aspects of macroprudential policymaking. The major program achievements included: the formulation and adoption of several key documents defining the conduct of macroprudential policy, the strengthening of systemic risk analysis with the development of a risk heatmap, the establishment of an effective macroprudential policy toolkit, the launch of publication of the Financial Stability Report and strengthening the solvency and liquidity stress tests and ELA framework.

Close coordination of TA efforts with other partner agencies was critical for effective TA design and implementation. In designing the FSSR follow-up TA project and throughout project implementation, MCM staff has maintained close coordination with partner agencies with the goal of avoiding duplication of efforts and ensuring effective use of resources. The project has also been coordinated with many partner agencies that were involved in financial sector-related TA work in Uzbekistan, including the World Bank, International Finance Corporation, Asian Development Bank, Alliance for Financial Inclusion, and several partner central banks. The FSSR project was also coordinated with the TA activities of the recently established IMF Caucasus, Central Asia, and Mongolia TA Center to ensure complementarity.

➢ Financial safety nets

24. Under FSSF Phase I, CD projects assisted in reviewing and enhancing the main components of the financial safety net in many countries. The establishment and operationalization of frameworks for bank resolution, ELA and deposit insurance were the major achievements.

25. Legal resolution frameworks were substantially strengthened, and the resolution regime effectively operationalized. CD projects under FSSF Phase I guided the authorities in operationalizing the banking resolution framework in Cabo Verde and Lesotho, providing assistance with the resolution planning process and drafting resolution manuals/guidelines in line with international best practices. The crisis management framework was strengthened in the Republic of Guinea and West Bank and Gaza through the operationalization of the Special Resolution Regime (SRR), aligned with international standards (Box 4). In Zimbabwe, the FSSR follow-up TA project supported the incorporation of resolution powers into the draft Zimbabwe Banking Act, in accordance with the Financial Stability Board (FSB) Key Attributes. A TA mission was provided to operationalize the resolution regime, covering resolution and recovery planning, resolvability assessments, stabilization options, as well as topics such as escalation frameworks and resolution execution.

26. FSSF-financed CD projects contributed to strengthening deposit insurance systems. In Cabo Verde, the legal framework was upgraded through an amendment to the Deposit Insurance Act, while in The Gambia, the Deposit Insurance Bill was approved by the Board of the Central Bank in 2024. FSSR follow-up TA work also supported the Reserve Bank of Zimbabwe in enhancing its Deposit Insurance Act.

27. The strengthening of the ELA framework was a significant achievement of the FSSF follow-up TA projects during Phase I. ELA regulations were enhanced in Uzbekistan and the Republic of Guinea. The CD project under Phase I assisted the Uzbek authorities in developing a comprehensive ELA regulation that clarified key aspects of ELA provision, including solvency assessment, interest rates, maturity, collateral, and conditionality. Central bank staff was trained to conduct an ELA simulation exercise. In the Republic of Guinea, the support was provided to review the ELA regulation. The review involved an examination of the legal basis, instructions, and internal procedures of the central bank, before focusing on broadening the base of eligible collateral for monetary policy to include private debt and receivables.

Box 4. FSSR in West Bank and Gaza

An FSSR diagnostic was conducted in October 2018 in West Bank and Gaza (WBG) with the aim of supporting the authorities in safeguarding financial sector stability through strengthening their capacity and operational frameworks. The FSSR report was published in May 2019 and the program implementation started in December 2019. The FSSR follow-up project focused on: (i) Strengthening bank regulatory and supervisory frameworks; (ii) Improving systemic risk and interconnectedness analysis and stress testing; and (iii) Enhancing resolution, crisis management, and safety nets.

Despite challenges in project implementation due to the COVID-19 pandemic and the Israel-Gaza conflict, which necessitated a narrowing of focus areas, the project achieved substantive progress in banking resolution. At the launch of the FSSR project, elements of a crisis preparedness and management framework partly existed at the Palestine Monetary Authority (PMA), but they were fragmented across various policies. A comprehensive crisis management plan was lacking, resolution and supervisory responsibilities were not clearly separated, and key resolution tools—such as bridge bank authority—were absent. Through the FSSR project, the banking resolution framework was significantly strengthened, with strong engagement and commitment from the PMA.

The 2018 FSSR recommended improvements to the framework for financial crisis preparedness and management, including upgrading their toolkit for handling distressed banks in line with international best practices. MCM coordinated efforts with the IMF's Legal Department (LEG) to design a statutory special resolution regime consistent with international standards, while proportionate to the environment in the WBG territory. The first TA follow-up mission focused on the review of the special resolution regime. A second mission reviewed the governance of the resolution function in the PMA, focusing on the separation between resolution and supervision. In addition, MCM and LEG jointly conducted a desk review on resolution-related amendments to the banking law prepared by the PMA. MCM carried out the fifth mission to enhance the existing crisis management plan. The final MCM mission assisted the PMA in the drafting of a resolution manual to support the operationalization of resolution tools. The collaboration with the PMA involved various delivery modalities: in-person, desk review and virtual engagements early in the pandemic. The authorities made good progress by allocating staff to resolution, completing the new resolution regime and preparing resolution plans for the systemic domestic banks. Coordination with the deposit insurance scheme was also enhanced, enabling it to play a more active role in supporting resolution measures within the statutory framework.

In systemic risk analysis and stress testing, the FSSR follow-up TA project assisted the authorities in developing stress testing capabilities integrated into the PMA's macroprudential surveillance framework. The mission reviewed the single-factor stress test conducted by the PMA and advised to conduct a multi-factor stress test to assess the resilience of the banking sector to adverse shocks more comprehensively. The multi-factor stress test conducted subsequently by the authorities concluded that multiple concurrent shocks would lead to a capital depletion in several banks and bring them below the minimum capital requirements. Based on the mission's recommendations, the authorities discussed promptly options to increase the capital of undercapitalized banks and to implement complementing COVID19 measures, e.g., lowering banks' liquidity requirements and loan deferrals.

Overall, the FSSR TA project equipped the authorities of the PMA with a banking resolution framework and a stress testing tool. Despite significant operational challenges during the COVID-19 pandemic, PMA officials showed strong buy-in, commitment, and flexibility, that enabled several accomplishments.

Box 5. Testimonies from governors

A. Governor Ismaili of the Central Bank of Kosovo (CBK)

I would like to acknowledge the significant progress the institution has made by implementing the recommendations from the Financial Sector Stability Review (FSSR) conducted in 2019, supported by numerous technical assistances provided by the IMF throughout the years. Through the IMF support, we have made notable progress in strengthening our governance structure. This includes re-examining the current decision-making framework of the CBK, focusing on the roles and responsibilities of both executive and non-executive Board members, as well as the enhanced the role of committees in facilitating effective decision-making, in line with long-standing IMF recommendations.

In addition, we have made improvements to our organizational structure, supervisory approach, macroprudential framework, stress-testing, data infrastructure, statistics, and central bank operations, among other areas. Regarding supervision, we have advanced our techniques and shifted towards a more risk-based supervisory approach, ensuring that we are better positioned to proactively address emerging risks. As a result of the support from technical assistance, we have strengthened our ability to address vulnerabilities in the banking and insurance sectors, enhance liquidity management, and improve our capacity for micro and macroprudential oversight.

While we have made significant progress, we recognize that continued support and capacity-building are essential to further strengthen our supervisory practices. This is particularly important in areas such as Supervisory Review and Evaluation Process (SREP) implementation, crypto asset regulation, the ELA framework, central bank operations, and macroeconomic modeling. We are committed to ensuring that the CBK remains well-equipped to foster long-term resilience in the financial sector.

We are deeply grateful for the contributions and engagements of the IMF experts, whose high-level expertise has helped us achieve tangible results and ensured that they were able to pass on their knowledge to our staff.

B. Governor Stevens of The Bank of Sierra Leone

I am delighted to express my sincere appreciation for the invaluable technical assistance provided by the International Monetary Fund (IMF) to the Bank of Sierra Leone. The IMF's expertise in developing the oversight of Financial Market Infrastructures, Emergency Liquidity Assistance, and Macroprudential Policy framework has significantly enhanced our capacity to ensure financial stability and effective risk management. Additionally, the IMF's technical assistance on stress testing has been instrumental in strengthening our resilience to potential financial shocks. These initiatives are critical components of our Financial Sector Stability Review (FSSR) and have substantially improved our ability to identify and mitigate potential risks to financial sector stability.

I would like to extend my gratitude to the IMF team for their outstanding support and collaboration. Their technical assistance has not only enhanced our technical capabilities but also fostered a culture of excellence and best practices within the Bank of Sierra Leone. We look forward to continuing our partnership with the IMF as we strive to maintain financial stability and promote sustainable economic growth in Sierra Leone.

➢ MULTI-COUNTRY WORK

28. **The multi-country CD activities under FSSF Phase I enabled officials from many countries to enhance their knowledge in supervision and regulation, as well as cyber risk supervision, through online courses and workshops.** The online courses consisted of: (i) the Supervisory and Regulatory Online Course (SROC), which is delivered by the IMF jointly with the Financial Stability Institute of the Bank for International Settlements (BIS); and (ii) the Cyber Risk Supervision Online Course (CRSOC). In addition, the IMF organized eight annual cyber security workshops during Phase I.

29. **The SROC program consisted of Financial Stability Institute Connect[6] online tutorials, IMF case study materials, and seven live webinars co-hosted by staff from MCM and the Financial Stability Institute of the BIS.** The Financial Stability Institute Connect tutorials, a component of the Structured Resource Online Course, have been thoughtfully selected to provide trainees with foundational knowledge of the course content. This structure makes the program an excellent learning pathway for participants. The program spans seven months, from September to March, and encompasses about 70 hours of learning. The course invited participants from authorities subject to the FSSR and mainly targeted LLMICs. Emerging Markets and Developing Economies (EMDEs) also comprised a significant portion of the SROC audience.

30. **The SROC offered valuable support to country officials, including those new to banking regulation and supervision, as well as experienced supervisors seeking to reinforce their understanding of fundamental regulatory and supervisory concepts.** Using the case studies, the

[6] FSI Connect is the BIS e-learning platform exclusively available to central banks, supervisory authorities, deposit insurers, and other eligible public sector authorities. It is managed by the Financial Stability Institute, which aims to assist global supervisors in enhancing and solidifying their financial systems.

course demonstrated the practical application of regulatory and supervisory issues, showcasing real-life examples of Basel standards and supervisory tools in various countries, including Peru, Georgia, Nigeria, Australia, Brazil, Malaysia, the UK, Rwanda, and Switzerland. Over the years, SROC had seven editions, starting with a pilot in 2018/19. In seven years, SROC has engaged 3,000 participants from 130 countries. Nearly one third of participants were from FSSF-eligible countries. The seventh edition of the SROC, which ran until March 21, 2025, had 522 participants from 108 jurisdictions. The latest webinar, on Fintech and Financial Stability, took place on February 20, 2025, and participants completed their studies by March 20, 2025. The SROC completion rate over seven years was around 58 percent[7]. The course evaluations were highly positive, with about 95 percent of participants rating it as "very satisfactory" or "satisfactory". Participants appreciated both the content and structure of the SROC.

31. The Cyber Risk Supervision Online Course (CRSOC) targeted intermediate-level non-technical supervisors to advance their understanding of cyber risk, including its potential impact on financial institutions and financial stability. The course is structured in five modules and includes a practical assignment based on a case study. After the initial launch to banking supervisors, the course was subsequently opened for the general public as well.

32. The CRSOC enabled supervisory agencies and the public, particularly in many LLMICs, to understand the nuances of cyber risk at their own pace, while further strengthening capacity-building initiatives. Since its inception, 5565 participants have registered for the course, with 2460 of them being active, and 1557 passing the course successfully. Of the total registrations, 2032 belonged to the government official’s category, while the rest came from the public. In one of the countries that suffered a cyber incident, the online course was offered as part of blended learning prior to an in-person TA mission. A record number of 184 participants enrolled in the online course from that jurisdiction, of whom 83 have successfully completed the course. On average, 47 percent of the total active participants were from FSSF-eligible countries. The blended learning use case has demonstrated the potential of leveraging asynchronous online learning with more in-depth country-tailored technical advice. Course evaluation for the 2022 and 2023 stood at an average of 4.6 out of 5[8].

33. The annual cybersecurity workshops updated cyber risk supervisors from LLMICs on cybersecurity developments and enhanced their capacity on the topic. The first annual workshop was rolled out in November 2017 and has been held every year thereafter. The eighth annual workshop was held in December 2024. The workshops have proven very useful to participants. The format of the workshops – primarily panel discussions on topics of interest by eminent experts – provided an opportunity to learn the latest developments in the field. Thanks to Phase I, the workshops benefit from global financial sector experts on various aspects of managing cyber risk. Over 50 countries were provided support to attend the workshop, thus enabling even countries that do not have the resources to participate. The workshop continued during the COVID pandemic in virtual and hybrid formats for two years before reverting to the most efficient in-person format. The cyber risk supervision online course was launched during these workshops.

[7] The completion rate was significantly higher for participants who actively engaged in the course.

[8] The rating is based on a five-point scale from 1, the lowest rating, to 5, the highest rating.

8th Annual Cybersecurity Workshop at HQ (December 2024)

B. Financial Statistics Module

34. **Phase I CD support under the Statistics Module has been impactful and has resulted in significant improvements in the availability and quality of financial sector statistics in beneficiary LLMICs in support of financial stability and macro-financial policies.** CD support under the two Sub-Modules assisted LLMICs in strengthening their capacity to provide reliable financial sector statistics to policy makers for assessing financial stability risks and vulnerabilities. This support resulted either in improved compilation methodologies and coverage of the Financial Soundness Indicators (FSIs) and/or in enhancements in the underlying data for the Balance Sheet Approach (BSA) matrix.

35. **Nearly all Phase I targets for the Statistics Module have been achieved, and some have been exceeded, as discussed below.** For the FSIs Sub-Module, all phase I targets were achieved or exceeded, except for the number of additional LLMICs compiling core FSIs, which is short by only two countries (27 against the target of 29). For the BSA Sub-Module, both targets were exceeded.

36. **CD support under the Statistics Module utilized different modalities including TA missions, regional training workshops, and ad-hoc short-term engagements.** A total of 446 activities were conducted under the Statistics Module, including 49 TA missions, 27 regional training workshops, and 105 ad-hoc short-term engagements for the FSI Sub-Module and 98 TA missions, 10 regional training workshops, and 157 short-term engagements for the BSA Sub-Module (Table 2). Key achievements resulting from this CD support are detailed in the rest of this section and summarized in Annex II.

Table 2. Financial Statistics Module Summary of CD Provided Under Phase I

	FSI			BSA							TOTAL
				TA Missions					Workshops	STE	
FY	**TA missions**	**Workshops**	**STE**	**MFS**	**IIP**	**GFS**	**FSSR**	**Total**	**BSA**		
FY2018-2019	9	0		3	5	2	2	12	2		**23**
FY2020	3	0		8	2	0	1	11	1		**15**
FY2021	7	7	17	8	8	2	4	22	1	55	**109**
FY2022	9	7	26	7	6	3	3	19	1	55	**117**
FY2023	9	7	38	6	2	2	2	12	1	28	**95**
FY2024	9	6	15	6	2	3	2	13	2	13	**58**
FY2025	3	0	9	2	1	1	5	9	2	6	**29**
Total	49	27	105	40	26	13	19	98	10	157	446

BSA= Balance Sheet Approach; FSI= Financial Soundness Indicators, FSSR= Financial Sector Stability Review, FY= Fiscal Year, GFS= Government Finance Statistics, IIP=International Investment Position, MFS= Monetary and Financial Statistics, STE=Short-Term Engagement.

Box 6. Financial statistics Module (FSM) support to Nepal

Support provided to Nepal under the FSM through five TA missions (including an FSSR) has significantly enhanced the availability and quality of financial sector statistics. At the inception of FSSF Phase I, Nepal faced gaps in financial sector data, which limited the effectiveness of macroprudential analysis and monitoring of financial stability. With FSM support, Nepal has made significant progress in both improving compilation methodologies and coverage of the FSIs and in the availability of the underlying data for the construction of the BSA matrix.

In 2018, Nepal started regular reporting of FSIs for deposit takers (DTs) and also extended the coverage of FSIs to cover nonbanks. At the inception of Phase I, Nepal was compiling some FSIs for internal use, but these indicators lacked accuracy, raising serious concerns and hindering effective monitoring of macro-financial risks[9]. The virtual TA mission in FY2022 worked remotely with Nepal Rastra Bank (NRB) to review source data for other financial corporations (OFCs) to assess their adequacy for compiling FSIs, map the source data to the FSI templates, and develop a work plan to compile and report selected FSIs for OFCs. Currently, the NRB reports 14 core and seven encouraged FSIs for DTs, two FSIs for OFCs, one FSI for households, and two FSIs for real estate markets—on a quarterly basis—for disseminating on the IMF's FSIs website. Nepal successfully migrated to the new FSIs reporting templates to compile FSIs based on *the 2019 FSIs Guide* in 2023. Work is ongoing to report additional FSIs for OFCs.

As a result of the Monetary and Financial Statistics (MFS) TA missions that took place in FY2020 and FY2023, Nepal was able to improve the coverage and quality of monetary statistics for the central bank and other depository corporations (ODCs) and expanded the coverage of MFS to include OFCs. STA also participated remotely in the Nepal FSSR mission which took place in November 2022 to support MCM in the area of financial sector statistics. One of the key issues identified by the FSSR was the need for NRB to extend the MFS to OFCs, which represent 20 percent of the total financial system assets. In response to the FSSR recommendations, the follow up MFS TA mission in FY2023 assisted the authorities in developing a framework to compile balance sheet data for OFCs, covering insurance corporations, pension funds, and several other types of institutions. The mission prepared guidelines and customized report forms for each group of OFCs to promote accuracy of data reporting. As a result, the NRB was able to improve the adequacy of the source data and

[9] Nepal, 2017 Article IV Consultation Staff Report, page 14.

started to compile and report data for OFCs. With a full coverage of financial sector, the NRB can construct the BSA matrix enabling better assessment of financial sector interlinkages and risks.

Nepal also achieved good progress in improving the methodology and coverage of external sector statistics and the availability of balance sheet data for the government, both important inputs for compiling BSA. The NRB compiles and reports annual International Investment Position (IIP) based on the *Balance of Payments and International Investment Position Manual* (BPM6). External sector statistics (ESS) TA mission in FY2025 provided assistance to the authorities on methods for the compilation of trade credits and international reserves and recommended the continuation of the International Transactions Recording System (ITRS) as a main data source, complementing it with surveys and administrative data. A follow up ESS TA mission is scheduled for FY2026. With support of South Asia Regional Training and Technical Assistance Center funding, Nepal started to compile balance sheet data for the budgetary central government and has reported to STA data for 2019-2021.

➢ FSI Sub-Module

37. **Supported by CD under the Phase I FSIs Sub-Module, 27 countries started to compile 'core' FSIs, against the set target of 29**. Prior to 2018, about 50 FSSF-eligible countries compiled some FSIs based on the methodology of the old *2006 FSIs Compilation Guide*. With the additional 27 countries, the number of LLMICs compiling FSIs has increased to 77. Eleven out of the 27 countries (Djibouti, Democratic Republic of Congo, Eritrea, Liberia, Ethiopia, Jordan, Malawi, Morocco, Mozambique, Somalia and Nepal) have started reporting FSIs to STA regularly for dissemination.[10] Sierra Leone submitted provisional FSIs to STA for review before proceeding with data dissemination. The remaining 15 countries have started compiling FSIs for internal use while a few of them already provide these data to the IMF area department country teams for surveillance purposes only. These 15 countries include the eight member countries of the West African Economic and Monetary Union (Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo), as well as Cape Verde, Mongolia, South Sudan, Sudan, Timor-Leste, Tunisia, and Zimbabwe. The impact of compilation of core FSIs by these additional countries, following latest methodology, has resulted in improved data quality in support of policymaking in the respective countries and availability of these data for IMF surveillance[11] and analytical use by other external users.

38. **CD under Phase I supported 46 LLMICs, against the target of 15, to compile additional (non-core) FSIs.** Prior to FSSF Phase I in 2018, many LLMICs compiled only core FSIs for deposit takers. With FSSF-funded support, nearly all eligible countries received CD support to also compile additional FSIs which resulted in 46 LLMICs compiling and reporting additional FSIs for deposit-takers, nonbank financial institutions, and real estate markets. This improved the coverage of the compiled FSIs, making them more useful for financial stability analysis and surveillance[12] by extending the focus to nonbank financial institutions and counterparts to the financial sector.

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[10] Eritrea report FSIs to STA only for internal analytical use; their data are not disseminated externally, as per the authorities' request.

[11] For example, the IMF 2024 Article IV staff Report for Liberia includes FSIs compiled following IMF TA support under the FSSF (see page 28 here: 1lbrea2025001-print-pdf.pdf)

[12] For example, IMF 2024 Article IV staff report for Solomon Islands includes FSIs compiled following IMF TA support under the FSSF (see page 28 here: 1slbea2025001-print-pdf.pdf).

39. **Fifty-one LLMICs have already implemented the new templates to compile FSIs which reflect the updated methodology of the IMF's *2019 FSIs Compilation Guide (2019 FSIs Guide).*** The *2019 FSIs Guide* reflects advances in the regulatory framework, most prominently reflected in the Basel III reform, and updates accounting practices to reflect new and revised International Financial Reporting Standards (IFRS), especially the IFRS 9.In addition, the Guide provides more prescriptive guidance to facilitate cross-country comparability and expands the coverage of FSIs to nonbank financial institutions (such as pension funds, insurance companies, and money market funds). Phase I CD support improved the quality of FSIs of current reporters by better aligning their data to these methodological enhancements**.** As of the end of Phase I, 40 of the 51 countries are already using the new templates to report updated FSIs to the IMF, while the remaining 11 countries are in the process of starting to report to STA. The reported data are disseminated on the IMF's FSIs website.

Box 7. Financial statistics Module (FSM) support to Eswatini

Eswatini has made notable strides in enhancing its statistical capacity through the FSM support during Phase I. This support has significantly strengthened the compilation framework for FSIs and facilitated the development of consistent source data necessary for constructing comprehensive from-whom-to-whom financial sectoral balance sheets, essential for informed policy-making and effective governance. The country received support under the FSM module through three TA missions, including one FSSR, while assistance in International Investment Position (IIP) and Government Finance Statistics (GFS) was provided through other thematic funding sources. The authorities of Eswatini have expressed deep appreciation for the support received under the FSM, recognizing the substantial benefits in terms of improved data quality and enhanced analytical capacity.

Supported by the FSIs virtual mission in FY2021, Eswatini successfully transitioned to the new FSI reporting templates, enabling the Central Bank of Eswatini (CBE) to report 15 core and five additional FSIs for DTs based on the upgraded *2019 FSIs Guide*. Prior to this mission, Eswatini was reporting FSIs based on the old methodology and was facing delays in reporting. The mission helped the CBE to map FSI source data to the new templates, enabling the automatic generation of FSI ratios. This shift reduced reliance on manual processes minimizing errors. The updated FSIs enhanced the comprehensiveness of the financial sector data and strengthened the assessment framework by introducing new measurements based on Basel III, such as the Common Equity Tier 1 capital to risk-weighted assets ratio.

The MFS TA in FY2018 supported the CBE in enhancing the methodology and coverage of monetary statistics. Key achievements resulted from this support include (i) the establishment of a formal Memorandum of Understanding (MoU) for collaboration and data sharing between the CBE and the Financial Services Regulatory Authority (FSRA), which is functioning effectively; (ii) new datasets on Savings and Credit Cooperatives (SACCOs and credit institutions developed during the mission which are currently collected regularly; and (iii) enhanced source data availability on pension funds and insurance, which will be utilized to expand MFS coverage to include nonbanks. STA also participated remotely in the FSSR mission, which took place in August 2023, to support MCM in the area of financial sector statistics. A critical issue identified during the FSSR was the lack of data for NBFIs, which hinders financial sector stability analysis considering the systemic importance of this subsector in the country. In response to the FSSR recommendations, an MFS TA mission is scheduled in FY2026 to assist the authorities in developing a framework to compile data on the accounts of OFCs.

Progress on IIP and GFS was supported through other external funding (D4D). Eswatini started to report quarterly IIP based on BMP6 in 2018 and is regularly reporting to STA government balance sheet liabilities, marking a significant milestone. The authorities in Eswatini demonstrate a strong commitment to furthering the development of these statistics and building on the progress achieved thus far.

➢ BSA SUB-MODULE

40. **Both targets for the BSA Sub-Module under Phase I were exceeded.** Specifically, 34 LLMICs enhanced the compilation of their primary statistics underlying the BSA, surpassing the project target of 25 LLMICs. Most notably, the following eight countries have compiled primary statistics to generate a BSA matrix for the first time: Angola, Burkina Faso, Cambodia, Guinea, Mongolia, Morocco, the Philippines, and Papua New Guinea. The main data source for the BSA matrix are the IMF's standardized reporting forms (SRFs) of monetary and financial statistics (MFS) with additional information from the external sector and government sector statistics. MFS data are the most important input for a BSA, as they capture data on financial intermediation by financial corporations in the economy if compiled with the broadest coverage, including information on counterpart sectors. The SRFs enable developing from-whom-to-whom tables for stocks for inclusion in the BSA.

41. **The Phase I target for addressing topic-specific issues was also exceeded with 44 LLMICs improving data in at least one of the three topical areas against the target of 30.** Other data sources in addition to MFS include the IIP, which provides information on stocks of assets/liabilities of resident sectors with the rest of the world by instrument, and the government financial balance sheet information presenting assets and liabilities of the general government or its subsectors by financial instrument and counterpart sector. Key achievements in each of the topical areas are presented in the next sub-sections. As part of FSSR missions some countries such as Papua New Guinea were supported by STA to compile and publish their BSA as part of the FSSR reports[13] to enhance financial stability analysis by showing inter-sectoral risk exposures.

Improvements in MFS

42. **With FSSF CD support, eleven countries started to report data for the central bank and other depository corporations (ODCs) while nine countries begun reporting data for other financial corporations (OFCs).** Countries that started reporting depository corporations' data (including for central bank and ODCs) are Djibouti, Guinea, Jordan, Liberia, Libya, Madagascar, Malawi, Mauritania, Tunisia, Uzbekistan, and Zimbabwe, while new reporters of OFC data are Angola, Cambodia, Kyrgyz Republic, Morocco, Nigeria, the Philippines, Tunisia, Uzbekistan, and Rwanda. The compiled data are based on detailed standardized report forms for the central bank, ODCs, and OFCs which contain detailed breakdowns of assets/liabilities by financial instrument and counterpart sector enabling the construction of BSA matrices.

43. **Countries compiling these data have them disseminated regularly via the IMF data portal as well as via their own outlets.** These data are also made available for use by the IMF area department country teams as well as other departments for bilateral and multilateral surveillance purposes. A good example is the inclusion of the OFCs data and the complete set of financial corporations' data covering OFCs' subsectors in South Africa's Article IV staff report.[14] This broadens the analytical value of monetary data by focusing on the broadest coverage of the financial sector while

[13] Papua New Guinea: Technical Assistance Report-Financial Sector Stability Review.

[14] IMF 2024 Article IV staff report for South Africa (see page 47 here: 1zafea2025001-print-pdf.pdffile:///C:/Users/nrutto/AppData/Local/Temp/MicrosoftEdgeDownloads/caae293b-1261-4d30-bca5-115940619606/1zafea2025001-print-pdf.pdf).

highlighting the assets and liabilities of OFCs which enables the analysis of the intermediation role of the financial sector in an economy and its interlinkages with other sectors, including in the context of monetary and macroprudential policies.

Improvements in IIP

44. With Phase I CD support, five countries started to report IIP data while six countries increased the frequency of IIP from annual to quarterly. Those that started to report IIP to STA include the Republic of Congo, The Gambia, Kenya, Madagascar (quarterly), and Uzbekistan, while Djibouti, Eswatini, Liberia, Nigeria, Rwanda, and Zambia have increased the frequency of IIP from annual to quarterly. Among these countries, Kenya, Liberia, and Rwanda, as well as Sudan and South Sudan have reached important milestones in the improvement of IIP statistics such as having an integrated IIP statement, producing the International Reserves and Foreign Currency Liquidity template, and collecting further enhanced direct investment statistics.

45. All countries that have received TA under Phase I on external sector statistics (ESS) and international investment position (IIP) were able to enhance these statistics to varying degrees. Support to countries on ESS and IIP was provided mostly via single-country TA missions. Collectively, these efforts were geared towards improving data quality, consistency, and frequency and closer adherence to international statistical standards. Key examples include enhancements in the quality of IIP data for Kenya and the Republic of Congo, with Kenya utilizing new banking statistics and Congo assessing data for preliminary release. Rwanda received guidance on macroeconomic dataset consistency and balance of payments presentation, and Sudan's mission supported the development of source data for debt relief and trade credits. For Malawi, the focus has been on improving the recording of foreign exchange earnings and transitioning to quarterly ESS compilation, and for Mozambique, addressing errors in direct investment statistics, engaging with the private sector, and improving external debt reporting.

Improvements in GFS

46. With support of FSSF and other external funding, nine countries started to report GFS balance sheet data, and an additional six countries started to report government balance sheet liability data. Countries that started to report GFS balance sheet data are Armenia, Burkina Faso, Ethiopia, Georgia, Kosovo Mozambique, Mongolia, and Nepal. Countries reporting GFS balance sheet liability data are Eswatini, Guatemala, Jordan, Lesotho, Madagascar, Papua New Guinea, and Zambia. The reported GFS data for these countries are disseminated through the IMF data portal and are available for use by respective countries to compile BSA to inform relevant policy analysis and decision-making.

Box 8. Financial statistics Module (FSM) support to Madagascar

Support under the FSM to Madagascar through four TA missions, including an FSSR mission in FY2025, has helped improve financial sector statistics.[15] Improvements in data quality across all sectors were considered particularly important by the African Department given the monitoring needs under the IMF program.

Madagascar is currently reporting 13 core and eight additional FSIs for DTs and two additional FSIs for real estate according to the *2019 FSIs Guide*. The combined FSI/MFS TA mission in FY2021 assisted the authorities to migrate to the new FSI reporting templates, with 10 FSIs compiled during the mission which, further supported IMF surveillance and the program needs. The frequency of reporting for several indicators has also improved allowing more timely monitoring.

Madagascar has made important progress in enhancing the primary statistics which enable the compilation of BSA matrix, useful for financial stability analysis. The authorities are regularly compiling monetary statistics for the central bank and ODCs, and the coverage of ODCs was improved to include deposit-taking microfinance institutions**.** The authorities are also working to expand the coverage of MFS to nonbanks, and a follow up mission is scheduled in FY2026. As a result of the ESS TA mission in FY2019, the updated quarterly IIP covering the period 2006–2018 was submitted to STA in November 2018 and was disseminated on the IMF website for the first time. With funding support from the D4D, Madagascar has further enhanced the compilation of ESS and has increased the coverage of large companies in the balance of payments (BoP) and IIP surveys, conducting regular annual surveys and improving the timeliness of the published data. The GFS mission in FY2021 introduced for the first time the compilation of the financial balance sheet for the general government. Madagascar has adopted the GFSM 2014 methodology and is producing high-quality GFS for the budgetary central government and further support is provided to the authorities under the D4D. A comprehensive regulatory framework aimed at strengthening the processes and standards for compiling GFS has been finalized and work is ongoing to be fully adopted.

STA's participation in the FSSR mission in FY2025 provided an opportunity to assess the progress made in financial statistics by Madagascar and to diagnose areas requiring further enhancements. The mission provided a comprehensive overview of the current reporting frameworks, identified key areas for improvement, and laid the groundwork for future TA in FSIs, and BSA with the aim of ensuring the availability of reliable and comprehensive financial sector statistics in support of macro-financial and financial stability policy and analyses.

➢ Other Achievements

47. **Under Phase I, the entire universe of over 90 FSSF-eligible countries has received CD support through either TA missions, regional trainings, or ad-hoc short-term engagements to develop and/or improve relevant financial sector and balance sheet statistics** (Figure 3). Nearly 60 LLMICs have benefitted from targeted TA missions. The adoption of virtual modality during the COVID-19 pandemic period allowed CD delivery to continue despite travel disruptions. Since then, virtual CD delivery has become an important and efficient modality in many cases. In-person TA delivery is however still particularly useful for countries with low capacity and/or internet connectivity, including FCS. On training, the online training courses on FSIs and MFS developed using the Data for Decisions (D4D)

[15] See also external evaluation report on Phase I from May 2023.

funding gained excellent traction among FSSF-eligible countries with many participants taking these online courses.

48. **Collaboration between STA and MCM in providing CD support through planned FSSRs missions improved continuously during Phase I.** This was also recommended by the independent mid-term external evaluation of the FSSF. As such, during Phase I STA participated in fifteen MCM FSSR diagnostic missions—Cabo Verde, Cambodia, Eswatini, The Gambia, Lesotho, Moldova, Nepal, Papua New Guinea, Somalia, Tajikistan, Uzbekistan, Zimbabwe, Kenya, Madagascar, and Vanuatu. STA's main role in these missions is to support financial sector statistics analysis through improved data and develop a TA work plan for CD interventions. STA has also provided the underlying data and analysis to some FSSRs while it did not join the mission. The outcome of such collaboration between MCM and STA is a joint workplan which synergizes policy related work with STA's statistical support, ensuring proper coordination of CD activities among the two departments as well with the TA recipient country. Accordingly, follow-up MFS TA missions to these countries will be planned under the Statistics Module in Phase II whenever needed.

Figure 3. CD Recipients under the FSSF Statistics Module

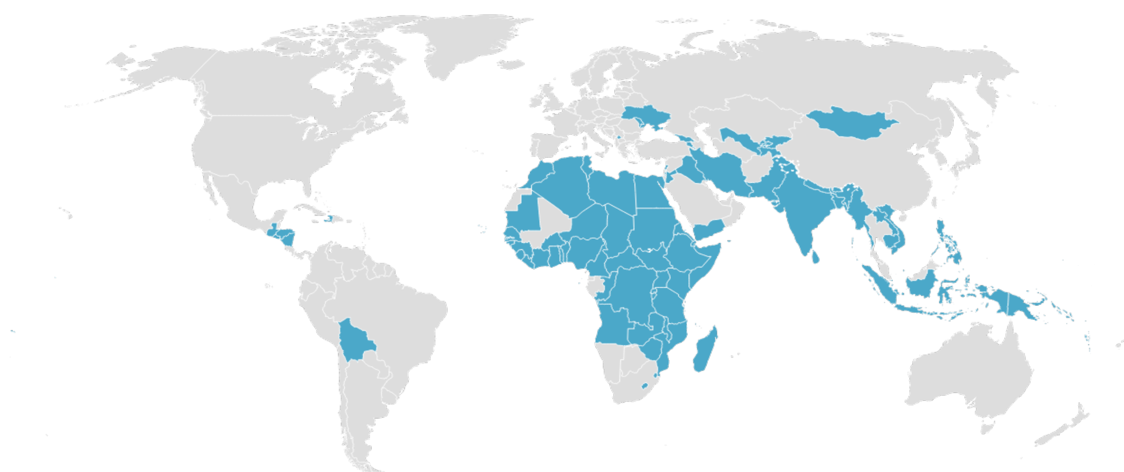
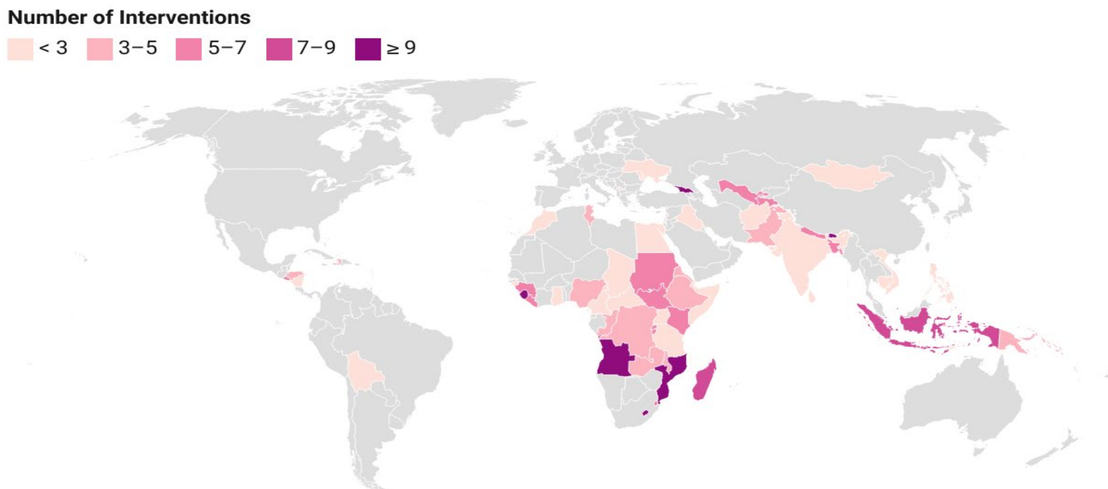


Figure 4. Short-Term engagements during FY2021–2025



III. CHALLENGES AND LESSONS LEARNED

49. **Despite the good outcomes across many FSSF recipient countries, challenges were also encountered, limiting progress in some cases.** A major challenge to the effective implementation of FSSR follow-up TA recommendations was the low capacity and human resource constraints, amidst weak institutional and organizational arrangements in recipient countries. Assessing the availability of resources at the authorities' end and keeping stakeholders informed were a key element in the advancement of CD projects. The TA activity reports highlighted staffing issues in the recipient countries as challenges to the implementation and delivery of projects. Resource constraints and high staff turnover hindered counterparts' capacity to implement the project's recommendations and conduct essential tasks, including independently running proposed processes. Understaffed and low-capacity institutions were often prone to organizational and managerial deficiencies, including unclear roles and responsibilities and a lack of dedicated organizational structures, which hindered the effective implementation of projects. The lack of strong leadership, by hindering decision-making and actions, was also an obstacle, in some cases.

50. **The absence of data and limited data collection capacity hindered the implementation of reforms in the financial sector.** In some countries, authorities' hesitation to provide all the necessary data, or the limited availability of data, negatively impacted the delivery and/or follow-up of data-intensive CD activities, such as stress testing. The use of the data on nonbank financial institutions to inform macroeconomic policy and financial stability analysis remains limited in some countries despite their growing significance. Going forward, besides assisting LLMICs in compiling data for OFCs, special focus will be placed on impressing on the authorities the importance of including nonbank financial institutions in relevant datasets and in policy analysis.

51. The Covid-19 pandemic, political instability and security concerns also hindered the implementation of CD projects. For instance, the tenure of the resident advisor in Sri Lanka was cut short due to security concerns. The COVID-19 pandemic initially forced the resident advisor to work remotely for several months before finally being relocated to Sri Lanka. By mid-2022, the economic crisis in Sri Lanka led to a significant escalation in security concerns, prompting a shift to a hybrid work arrangement and ultimately resulting in the early termination of the resident advisor's contract in February 2023. The Covid-19 pandemic also affected the CD delivery and modalities for many recipient countries of FSSR follow-up TA projects (the Republic of Guinea, Kosovo, Rwanda, Uganda, West Bank and Gaza). Due to the pandemic and conflict-related constraints, follow-up TA delivery in West Bank and Gaza was limited, and the project scope was revised in 2022 to cover two high priority areas (systemic risk monitoring and stress testing, as well as crisis management and financial safety nets). The political developments in Guinea over 2020-2021 stalled to some extent the implementation of the FSSR recommendations until early 2022, when the authorities expressed a renewed interest in implementation.

52. The presence of dedicated resident advisors was critical in driving progress. The experiences from FSSF Phase I demonstrated that the continuous presence of a resident advisor can significantly enhance the effectiveness of CD. The efforts of resident advisors helped address some of the challenges listed earlier, including human resource constraints. The resident advisors helped to ensure that the senior management of the central bank recognized the resource intensity of the processes being developed, helping to better align expectations with available resources.

53. CD projects under Phase I played a catalytic role in facilitating further CD engagements. One of the key lessons learned from Phase I is that the impact of the FSSR diagnostics extended beyond the FSSR follow-up CD projects. It served as a guideline for other CD engagements funded by different sources, such as IMF Regional Capacity Development Centers (RCDCs). For instance, the FSSF-supported CD roadmap has oriented TA on banking supervision provided by the IMF's Afritac West 2 (AFW2) to Cabo Verde.

54. The online courses have proven to be a success, contributing significantly to capacity building, particularly in LLMICs. Demand for the online courses, especially from LLMICs, has remained high, that said registrations to the cyber risk supervision course declined over time likely due to (i) a limited number of supervisors assigned to supervise cyber risk; (ii) the course when launched bridged a gap and hence the uptake was higher in the initial years. Designing an online course required careful consideration of various factors, including the technology platform, a mix of videos and narratives, case studies, and providing a window for the participants to reach out to experts, etc.

55. Collaboration between the IMF and the World Bank Group (WB) has been beneficial to the implementation of CD activities. As demonstrated through the programs in Zimbabwe and Cambodia — where the IMF's statistics teams participated in the FSSR missions, the BSA has been greatly instrumental in increasing the authorities' buy-in for addressing data gaps when assessing cross-sector vulnerabilities. Collaboration with the World Bank has been strong since the inception of the FSSR, and is expected to continue going forward, ensuring that the complementary expertise of the two institutions' staff is well-utilized to serve the recipients' needs. This cooperation spans nearly all FSSR recipient countries, aiming to prevent duplication of efforts and leveraging relative strengths of each CD provider. For instance, the cooperation between the IMF and the WB on financial sector work in Somalia was valuable to leverage the synergies and complementarity in areas such as legal and regulatory frameworks with data requirements. In the DRC, the implementation of the FSSF TA workplan utilized the close collaboration with the WB to avoid overlap, especially in workstreams where the WB was already supporting projects such as insurance supervision. Moreover, regular meetings take place between the division responsible for FSSRs at the IMF and relevant World Bank counterparts to discuss new FSSR requests, as well as the pipeline of existing requests and mission timelines. Finally, the World Bank participates in FSSF Steering Committee meetings, while the IMF participates in the Finance for Development Partnership Council meetings, ensuring both the IMF and the WB are informed of relevant work.

56. Ensuring complementarity with other thematic funds brings added value by securing the continuity of CD delivery to member countries in case of funding disruptions. Several FSSF eligible countries have been able to access CD support through other thematic funds such as the Somalia Country Fund and the D4D. This support was mainly on the compilation of the government balance sheets and IIP and, in the case of Somalia, also for MFS and FSI datasets. For instance, funding from the Somalia Country Fund was used to assist Somalia in the compilation of MFS data for the central bank and ODCs. The FSSF is now complementing this support under the FSSR workplan to develop a data collection framework for OFCs. This approach leverages the complementarity of workstreams funded by different thematic funds, while ensuring that there is no duplication of activities across the funds.

57. There is a need for close institutional collaboration to ensure success in the compilation of FSIs and BSA related statistics. Under Phase I, TA delivery in some cases focused on enhancing inter-institutional collaboration to promote data sharing and usage of consistent methodologies among data producing agencies**.** For example, the TA mission on GFS worked with the Central Bank of Kosovo; Kosovo Agency for Statistics; and Ministry of Finance, Labor and Transfers (MOFLT) to develop a draft Memorandum of Understanding (MoU) given the interdependencies between these agencies for the compilation of GFS and the financial accounts. Similarly, the TA mission on ESS/IIP for the Bank of Mozambique promoted collaboration between the Ministry of Finance and the central bank to improve coherency of external debt reported by the two agencies.

58. FSSR CD work has been enriched by emerging issues with the aim of contributing to a more stable financial environment while strengthening financial inclusion and deepening the overall financial landscape in LLMICs and FCS. The focus of the FSSR remains on establishing strong financial sector foundations in countries with limited capacity and weaker institutional frameworks. As a result, FSSRs and subsequent TA focus on the building blocks for financial stability and oversight. However, some emerging areas have also been covered in FSSRs under Phase I and will continue to be covered under Phase II, where macro-critical and driven by country demand. For instance, the PNG FSSR diagnostic covered digital money, central bank digital currency (CBDC) and regulatory sandboxes for fintech innovations. The FSSR for the DRC analyzed the availability of gender disaggregated data and its use in financial supervision. A follow-up TA mission with the Toronto Centre took place in March 2024, and helped the central bank assess gender equality to identify the opportunities for improvement regarding its management bodies. The FSSR diagnostic for Kenya (funded under Phase II) touched on the oversight of digital finance and recommended the development and implementation of a RBS framework for payment service providers.

IV. WAY FORWARD

59. While most of the FSSR follow-up projects commenced during Phase I have been finalized, a few projects from Phase I will continue during Phase II. These include the FSSF-financed CD projects in Cabo Verde, the DRC, Lesotho, Rwanda and Sierra Leone continue under Phase II. In addition, a few Phase-I projects have required updates under Phase II to address the needs of the authorities in specific areas. This is the case of Kosovo where MCM will continue to support the Central Bank through an update diagnostic. Given the strong momentum and significant progress achieved in Zimbabwe, a new targeted FSSR follow-up workplan on banking regulation and supervision has been developed to build on the initial results. The recent deterioration of security conditions in the DRC may delay CD delivery, require a shift in delivery modalities from in-person to virtual, and prompt the Central Bank to redesign its CD priorities.

60. Despite the achievements, LLMICs and FCS will benefit from continuation of CD activities on strengthening the financial sector stability frameworks. CD is a prolonged process, particularly for countries with weak institutions and significant gaps. The FSSR projects have acted as catalysts for CD in some countries, while others need to further enhance the capacity of newly established organizational structures or departments, or complete the work initiated under the impetus of FSSF-financed projects. This is especially true as all recipient countries continue to express a strong desire for further assistance.

61. The IMF will continue to support FSSR beneficiaries who express strong desire to sustain the momentum generated by FSSR follow-up TA projects under Phase I. CD funding from other sources has been secured for several countries for areas covered by the FSSF to keep the momentum generated under Phase I and to fill the remaining gaps. In Djibouti, there is a strong need to enhance the on-site supervision. Following the departure of the resident advisor in September 2024, METAC stands ready to provide further CD in this workstream. In Gambia, further TA on bank supervision and regulation will be provided from Afritac West 2 (AFW2). MCM is willing to support the Bank of Uganda in finalizing the operationalization of the RBS framework. Uzbekistan recently undertook an FSAP focused on reviewing risks and vulnerabilities facing the Uzbek financial sector and any future financial sector-related CD activities in this country were expected to be shaped by its findings. The Cambodian authorities asked MCM to continue delivering TA on further improving the capacity of the National Bank of Cambodia's recently established Financial Stability Department. For West Bank and Gaza, the delivery of MCM's CD on financial sector supervision and regulation will continue to be provided through METAC.

62. Phase II of the FSSF incorporates key lessons from Phase I. The highly successful FSSR diagnostic remains the core element of the FSSF. The focus of FSSR follow-up TA projects will be on a relatively small number of workstreams under individual projects, which will be supported by greater efforts to assess absorption capacity of the CD recipient. The availability of sufficient human resources to support effective implementation of CD recommendations will be an important consideration. A more flexible approach to set the annual budget under the Sub-Module on FSSR follow-up TA projects will enhance flexibility and contribute to a more effective use of resources. Multi-country activities—including online trainings tools, webinars, and workshops on special topics, such as the Annual Cyber Security

Workshop—will provide complementary capacity building in areas of high demand, enhancing the knowledge of country officials in an accessible and efficient manner.

63. Under Phase II, the Financial Statistics Module work will continue to focus on improving the underlying compilation framework and coverage for compiling FSIs including for nonbanks, as well as developing consistent source data for all the BSA primary statistics. Additionally, the CD work on monetary statistics will be enhanced to cover newly emerged topics and additional aspects such as digital money, crypto assets, flow data to enhance the BSA framework, and corporate and household debt. While most countries have started to compile FSI data based on the *2019 FSI Guide* there is scope to improve the quality of these data in terms of methodology and coverage. The same applies to the compilation of data under the BSA Sub-Module.

64. Moving forward, the IMF will continue to enhance its FSSR work with the goal of delivering meaningful and impactful results. The IMF remains committed to ensuring that FSSF CD activities are tailored to country-specific circumstances with a view of strengthening financial sector stability frameworks. A strong pipeline of demand is expected under Phase II. The focus will be on producing and delivering follow-up technical assistance workplans for recently completed FSSR diagnostics and completing remaining projects from Phase I as well as conducting new diagnostics. IMF will also work closely with other providers of capacity development, continuing to leverage synergies and avoiding overlaps to maximize value.

V. PARTNER FUNDING AND FINANCIAL HIGHLIGHTS

65. Phase I of the FSSF was completed with financial support from nine donor partners: China, Germany, Italy, Luxembourg, Saudi Arabia, Sweden, Switzerland, the United Kingdom, and the European Investment Bank (EIB). Contributions received from donor partners were US$28.8 million as shown in Table 3.

Table 3. Financial Contributions (in millions of US$, as of April 30, 2025)

Agreement/Amendment Information					Contribution Received	
Partners	Signed Date	Currency	Amount	U.S.Dollars	Agreement Currency	U.S.Dollars
China	December 4, 2017	USD	3.0	3.0	3.0	3.0
European Investment Bank	April 19, 2018	EUR	1.0	1.2	1.0	1.2
Germany	April 11, 2019	EUR	4.0	4.5	4.0	4.5
Italy	June 15, 2017	EUR	2.0	2.3	2.0	2.3
Italy	December 5, 2017	EUR	1.1	1.3	1.1	1.3
Luxembourg	August 1, 2017	EUR	2.0	2.3	2.0	2.3
Luxembourg	December 15, 2022	EUR	1.0	1.1	1.0	1.1
Saudi Arabia	May 3, 2018	USD	2.0	2.0	2.0	2.0
Sweden	December 7, 2018	SEK	40.0	4.5	40.0	4.4
Switzerland	October 13, 2017	CHF	4.0	4.1	4.0	4.0
United Kingdom	April 30, 2018	GBP	2.0	2.8	2.0	2.6
Total				**29.0**		**28.8**

At the end of Phase I, partners had disbursed all their commitments, and cash inflows into the Thematic Fund totaled US$30.4 million which includes the interest earned (Table 4). The total expenses for Phase I were $29.7 million, which was mostly consistent with the envisaged plan in the Program Document (Table 5). All the funds received from donor partners were fully utilized in the implementation of the projects under Phase I and the unspent balance of US$660K (as of April 2025) in the Subaccount represents remaining interest earned. This residual interest earned will be prorated across all donor partners and be transferred to Phase II upon the endorsement of the Steering Committee.

Table 4. Cash Flow Statement (in thousands of US$, as of April 30, 2025)

	FY 2018 FY1	FY 2019 FY2	FY 2020 FY3	FY 2021 FY4	FY 2022 FY5	FY 2023 FY6	FY2024 FY7	FY2025 FY8[2/]	Totals
Contributions[1/]	8,563	8,987	6,482	3,262	400	1,073	-	-	28,768
China	3,000	-	-	-	-	-	-	-	3,000
European Investment Bank	-	1,186	7	-	-	-	-	-	1,193
Germany	-	-	3,321	1,198	-	-	-	-	4,518
Italy	3,592	-	-	-	-	-	-	-	3,592
Luxembourg	971	453	440	483	-	1,073	-	-	3,421
Saudi Arabia	-	800	400	400	400	-	-	-	2,000
Sweden	-	2,199	1,032	1,181	-	-	-	-	4,412
Switzerland	1,000	3,021	-	-	-	-	-	-	4,021
United Kingdom	-	1,329	1,283	-	-	-	-	-	2,611
Interest Earned	61	268	286	2	12	384	446	126	1,584
Total Cash Available	8,624	9,255	6,768	3,264	412	1,457	446	126	30,352
Expenses Paid[3/]	638	3,117	4,225	2,660	3,592	5,274	7,066	3,119	29,692
Cash Balance	**7,985**	**14,123**	**16,666**	**17,270**	**14,091**	**10,274**	**3,653**	**660**	**660**

[1/]Contributions are net of transfers and return of funds.

[2/]FY2025 expenses include amounts from May 2024 to June 2025.

[3/]Expenses paid include the 7% TFM.

Table 5. Progress Report (in thousands of US$, as of April 30, 2025)

Module/Country	Approved Budget as of June 2024 (A)	Current Budget as of April 2025 (B)[2/]	Expenses (C)	Remaining Budget D = (B-C)[1/]	Execution (%) E = (C/B)
Direct TA	**17,528**	**17,922**	**17,810**	**112**	**99%**
Financial Sector Reform Module	10,041	10,169	10,156	13	100%
Financial Sector Statistics Module	6,919	6,920	6,924	(3)	100%
Cyber Risks	568	833	730	102	88%
Follow-up TA Country Programs	**12,142**	**11,783**	**11,426**	**357**	**97%**
Cabo Verde	235	235	195	40	83%
Cambodia	1,293	1,293	1,281	12	99%
Democratic Republic of the Congo	720	720	709	11	98%
Djibouti	860	753	744	9	99%
Gambia	1,264	1,302	1,302	-	100%
Guinea	423	423	405	17	96%
Kosovo	544	512	491	20	96%
Lesotho	131	115	88	27	77%
Rwanda	1,004	1,004	891	114	89%
Sierra Leone	1,334	1,281	1,306	(25)	102%
Sri Lanka	1,209	1,209	1,209	-	100%
Uganda	986	986	986	-	100%
Uzbekistan	1,132	901	795	106	88%
West Bank And Gaza	403	403	403	-	100%
Zimbabwe	605	648	620	27	96%
Online Training	**245**	**245**	**219**	**26**	**89%**
FSI Connect Online Training	90	90	74	16	83%
Cybersecurity Online Course	155	155	145	10	93%
Administrative/Governance Cost	**310**	**310**	**236**	**74**	**76%**
Steering Committee and Evaluation	310	310	236	74	76%
Total	**30,226**	**30,260**	**29,692**	**568**	**98%**
of which Trust Fund Management Fee	**1,977**	**1,980**	**1,942**	**37**	

[1/] The remaining balance for closed projects is zeroed out upon project completion.

[2/] Reallocation within the SC allowable threshold was done prior to the reporting period.

VI. VISIBILITY

66. **The IMF strived to provide high donor partner visibility through various communication tools: 1) social media postings; 2) IMF publications including MCM CD annual reports and STA CD brochures and 3) outreach events at the IMF-WB Annual and Spring Meetings.** These efforts showcased the high value added and impact of the FSSF-funded activities while building a public profile of our work. Additionally, the overview of the FSSF is available online on the IMF's website and updated periodically, providing external audiences with a one-stop service for relevant information and published TA reports on FSSF-funded missions. Donor partners were systematically recognized, with explicit acknowledgement online and in TA reports and IMF publications. All relevant materials including those related to the Steering Committees are also made available to donor partners on the IMF's Partners Connect platform in compliance with the IMF's CD dissemination policy.

Recent Visibility and Acknowledging the Importance of the Work by Authorities and Donor Partners

Illustration of FSSF-related public event (CD Talk during the 2023 Annual Meetings in Marrakech)

ANNEX I. FSSF PROGRAM-LEVEL REPORTING LOG FRAME (PHASE I)

On track	Progress underway	No progress/issue	In train/Not applicable

Strategic Objective: Assist low and lower-middle income countries to support financial sector stability, inclusion, and deepening by addressing systemic vulnerabilities and establishing preventative measures.

Outcome	**Indicators**	**Source**
Improved and sustainable financial sector stability through the adoption and implementation of strengthened financial stability frameworks.	A significant majority of targeted countries have undertaken reforms to strengthen and deepen financial sectors through implementation of FSSR recommendations.	IMF IV consultation FSSR repeat reviews, CD evaluations, project managers.
Countries sequence their reforms based on a good understanding of the impact of expanding financial services through inclusion initiatives on financial stability and vice-versa.		
Policymakers are able to assess financial sector stability risks and vulnerabilities, as well as interconnectedness of economic sectors.	Financial Soundness Indicators and primary statistics underlying the cross-sectoral balance sheet data are regularly compiled and reported to the IMF, and available to national policymakers.	IMF FSI database, in-country FSI databases, BSA matrices available to national authorities, planned FSSRs, and IMF IV consultation.
Objective 1: Financial sector stability reviews informs financial sector reforms		
Result 1.1: FSSR recommendations are implemented as part of a reform program.	The diagnostic roadmap is approved by the authorities for implementation and integrated into institutional strategic planning.	Authorities' strategic plans, project managers, follow-up TA, CD evaluations.
Twenty-six FSSR diagnostics were completed, FSSR follow-up TA projects approved (except Bangladesh and Nicaragua), and TA activities performed. Follow-up TA projects started in Phase I continuing under Phase II for: the DRC, Lesotho, Cabo Verde, Sierra Leone, Rwanda.		
Objective 2: Improved financial sector regulation and supervision		
Result 2.1: Regulatory framework is upgraded in line with international standards.	New regulations are adopted and effectively enforced.	Supervisory reports, Project managers

Outcome	Indicators	Source
Result 2.2: Risk-based supervision system is implemented, and upgrade of other supervisory processes is completed.	1. Regulatory and supervisory frameworks are more closely aligned with RBS requirements. 2. Processes and manuals for key supervisory functions are established and effectively implemented.	Basel Core Principles self-assessments or FSSR repeat reviews
Result 2.3: Banks have strong capital and liquidity positions.	Basel II/III has been incorporated in the legislative and regulatory framework.	Project managers, Article IV Consultations, CD evaluations
Result 2.4: Early detection system to insurance sector vulnerabilities is established	Supervisory ratings have been assigned to majority of insurers and are being used as various tools, such as communication with senior level of the insurance sector, decision of timing and scope of on-site inspections, approval of dividends.	Supervisory authorities' annual reports
Result 2.5: Improved supervisory effectiveness through enhanced capacity in IFRS knowledge related to provisioning.	1. Regulatory and supervisory provisioning guidelines are more closely in line with international standards (International Financial Reporting Standards and Basel principles) and best practices 2. Supervisors are better equipped with IFRS knowledge in assessing provisioning practices by banks.	Authorities' self-assessment of BCPs, Project managers
Result 2.6: Strengthened regulatory framework, supervisory tools and capacity to address key risks in securities sector.	Regulatory and supervisory frameworks are more closely aligned with international best practice as evidenced by increased compliance with IOSCO principles.	IOSCO reports

Significant progress achieved in all FSSR follow-up TA projects that cover financial sector regulation and supervision. CD missions on various aspects of regulation and supervision of bank and nonbank financial institutions took place with strong results:

- ***Risk-Based supervision implemented in Gambia, Kosovo, the DRC, Rwanda, Guinea, Uganda, and Sierra Leone.***
- ***On and off-site supervision improved (Djibouti, Gambia, the DRC, Uganda)***
- ***Bottom-up stress tests developed in Rwanda, Uganda***
- ***Banking legislation and regulatory frameworks strengthened in Gambia, Kosovo, Guinea, the DRC, Zimbabwe, Sierra Leone.***

In addition, Djibouti, the Gambia, Rwanda, Sierra Leone have benefitted from dedicated LTXs on bank supervision.

Outcome	Indicators	Source
Objective 3: Strengthened capacity of Central Banks in systemic risk analysis		
Result 3.1: An effective organizational and inter-organizational structure is established for financial stability surveillance.	A functional Financial Stability Unit (FSU) within the Central Bank is in place, and timely financial stability reports produced providing a comprehensive assessment of risks and vulnerabilities in the financial system.	Central Bank organigram/ Financial Stability Report
Result 3.2: A systemic risk monitoring framework is implemented.	Risks in both time and cross-sectional dimension are monitored and a framework for identifying systemically important financial institutions is adopted.	Supervisory reports, Financial Stability Report
Result 3.3 The Central Bank strengthened its stress testing capability.	Staff prepares stress testing reports using the provided IMF model and training.	Central Bank Annual Report, Financial Stability Report
Several CD projects provided hands-on support to the authorities of recipient countries in monitoring and analyzing systemic risks, through: - ***Creation of stability department (Uzbekistan, the DRC, Cambodia)*** - ***Development of Systemic risk analysis tools (Sri Lanka, Lesotho, Cambodia, Uzbekistan)*** - ***Establishment of Stress testing* frameworks (*Cabo Verde, Sierra Leone, Kosovo, Rwanda, Uzbekistan, Sri Lanka, Gambia, Uganda, Cambodia).***		
Objective 4: Effective frameworks for crisis prevention as well as inter-agency crisis preparedness and management frameworks established		
Result 4.1: A legal and operational framework with a special bank resolution regime established.	The authorities pass legislation placing bank bankruptcy under the supervisory/resolution authority as an administrative function and no court can reverse decisions to revoke a bank's license.	National Law Gazette Article IV consultations
Result 4.2: Ability to provide liquidity assistance to an illiquid but solvent bank in a timely manner.	Effective and expedited lender of last resort (LOLR) procedures. Simulations to test "real" time operations.	Article IV Consultations, Project managers, CD evaluations
Result 4.3: Ability to resolve an insolvent bank in a timely fashion in order to provide access to insured depositors fund promptly.	SRR harmonized with deposit insurance law to facilitate P&A or other prompt provision of funds to insured depositors.	Article IV Consultations, Project managers, CD evaluations
Result 4.4: High-level Crisis Management Committee with periodic required meetings created.	Interagency MOUs comprehensively detailing coordination, information sharing and cooperation among the CMC members in place.	MOU

Outcome	Indicators	Source
Result 4.5: Agency specific as well as inter-agency contingency plan in place.	Agency specific crisis contingency plans and comprehensive national crisis contingency plan in place.	CD project
Various aspects of contingency frameworks were tackled in several CD missions: - ***Resolution framework established with legislative and operational frameworks (Cabo Verde, West Bank and Gaza, Zimbabwe)*** - ***Deposit insurance legislation adopted and implemented (Gambia, Zimbabwe)*** - ***Emergency liquidity (ELA) framework established (Uzbekistan, Guinea)***		
Objective 5: Effective macroprudential policy frameworks established		
Result 5.1: Authorities conduct appropriate macroprudential policy actions to mitigate systemic risk.	1. Legal framework is established or updated. 2. Macroprudential body is established. 3. A systemic risk monitoring framework is implemented. 4. Macroprudential policy tools implemented to mitigate specific systemic risk.	Central Bank/Supervisory authorities, CD evaluations.
Significant progress has been made in macroprudential policy in recipient countries (Sri Lanka, Uzbekistan, Cambodia, Sierra Leone, Gambia, the DRC) with two countries having had dedicated LTXs (the DRC, Cambodia): systemic risk analysis strengthened, effective macroprudential policy framework and toolkit established.		
Objective 6: Authorities are able to oversee and enhance the safety of financial market infrastructures (FMI) and the payment aspects of financial inclusion		
Result 6.1: The appropriate oversight, supervisory, and regulatory framework is established for payments and FMIs.	1. The CPSS-IOSCO Principles for Financial Market Infrastructures (PFMI) have been adopted and applied consistently. 2. The authorities' reform agenda and organizational setup support the oversight functions for payments and FMIs. 3. There are adequate laws and regulations in place governing oversight of payments and FMIs. 4. Authorities have established staff capacity to effectively oversee, supervise, and regulate payment service providers and FMIs to collect relevant information on an ongoing basis.	FMI self-assessment reports, PFMI disclosure frameworks, and reports from central banks, market regulators and other relevant authorities.

Outcome	Indicators	Source
Result 6.2: The payment aspects of financial inclusion are aimed at improving access to and usage of transaction accounts operated by a regulated payment service provider.	1. The CPMI-World Bank Payment Aspects of Financial Inclusion (PAFI) guiding principles and key actions have been considered. 2. Legal and regulatory framework underpins financial inclusion, protects consumers, and fosters innovation and competition. 3. Robust, safe, efficient and widely reachable financial and information and communications technology infrastructures are effective. 4. Transaction accounts augmented with a broad network of access points and interoperability.	Reports from the central bank, market regulators and other relevant authorities.
Result 6.3. retail payment systems are efficient, sound, interoperable and support the offer of a wide range of payments instruments and services.	1. The automated clearing house (ACH), check clearing system and other retail payment systems comply with the PFMI where relevant. 2. The ATM and POS infrastructure are interoperable. 3. Electronic payment instruments (credit transfer, direct debit, cards) are available and promoted as a substitute for cash and checks 4. Regulation on mobile payments is proportionate to risks and allows for safe and efficient offering of mobile payment services.	Central Bank reports.
The oversight of payment systems has been strengthened in Sri Lanka. The project assisted the Central bank in revamping the payment and settlement systems through a review of the legal framework and policy discussions in Sri Lanka.		

<table>
<tr><td colspan="3">Objective 7: Close-to-universal coverage of Financial Soundness Indicators (FSIs) for low and lower-middle income countries (LLMICs) achieved</td></tr>
<tr><td>Result 7.1: Financial sector authorities compile and report FSIs.</td><td>1. An additional 29 LLMICs report “core” FSIs to the FSI database, for a total of 77 LLMICs reporters.
2. Extend coverage of FSIs for another 15 LLMICs to include non-core FSIs for deposit-takers, nonbank financial institutions, and real estate markets.
3. Improve data of current FSI reporters to include methodological enhancements stemming from the 2019 revised FSI Compilation Guide.
4. Partner with MCM in providing FSIs to planned FSSRs.</td><td>IMF FSI database and in-country FSI databases.</td></tr>
<tr><td colspan="3">1. An additional 27 LLMICs have started to compile FSIs, against the target of 29. Eleven out of these 27 countries (Djibouti, the Democratic Republic of Congo, Eritrea, Liberia, Ethiopia, Jordan, Malawi, Morocco, Mozambique, Somalia and Nepal) have also started reporting FSIs to STA regularly.[16] Sierra Leone has submitted provisional FSIs to STA for review before proceeding with data dissemination. The remaining 15 countries have started compiling FSIs for internal use while a few of them already provide these data to the IMF area department country teams for surveillance purposes only. These 15 countries include the eight member countries of the West African Economic and Monetary Union (Benin, Burkina Faso, Côte d’Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo), as well as Cape Verde, Mongolia, South Sudan, Sudan, Timor-Leste, Tunisia, and Zimbabwe.</td></tr>
<tr><td colspan="3">2. Remarkably, 46 LLMICs extended the coverage of FSIs and reported additional FSIs for deposit-takers, nonbank financial institutions, and real estate markets, significantly surpassing the original target of 15.</td></tr>
<tr><td colspan="3">3. A total of 51 LLMICs have implemented the new templates to compile FSIs which reflect the updated methodology based on the 2019 FSIs Guide. Forty of these countries are already using the new templates to report updated FSIs to IMF while the remaining 11 countries are in the process of starting to report to STA. The 2019 FSIs Guide was implemented in February 2022, which introduced improved metrics for banks, expanded the set of indicators for nonbanks, and introduced new measures to assess tail risks, amongst other things. TA missions as well as limited engagements commenced as early as 2021Q1 to assist countries to update the methodology to compile FSIs and report these data in new templates.</td></tr>
<tr><td colspan="3">4. STA joined fifteen FSSR missions to support MCM in financial sector statistics analyses and address data gaps— Cabo Verde, Cambodia, Eswatini, The Gambia, Lesotho, Moldova, Nepal, Papua New Guinea, Somalia, Tajikistan, Uzbekistan, Zimbabwe, Kenya, Madagascar, and Vanuatu. STA has also provided the underlying data and analysis to several other FSSRs without joining the mission.</td></tr>
</table>

[16] Eritrea reports FSIs to STA only for internal analytical use; their data are not disseminated externally, as per the authority’s request.

Objective 8: Balance-sheet approach (BSA) is used more systematically in policymaking and surveillance in low and lower-middle income countries.		
Result 8.1: Increased number of countries using balance sheet matrices in their national financial sector surveillance framework.	1. An additional 25 LLMICs enhance their primary statistics for compilation of BSA matrices, based on improved monetary and financial, international investment position, and government finance statistics, providing prerequisites for implementing the BSA in up to 45 LLMICs. 2. In another 30 LLMICs, address topic-specific data issues to prepare partial BSA matrices.	BSA matrices available to the authorities, planned FSSRs, and IMF Article IV consultations.
1. 34 LLMICs enhanced their primary statistics underlying the BSA, surpassing the project target of 25 LLMICs. For MFS, eleven countries (Djibouti, Guinea, Jordan, Liberia, Libya, Madagascar, Malawi, Mauritania, Tunisia, Uzbekistan, and Zimbabwe) have started to report data for the central bank and other depository corporations, while nine countries (Angola, Cambodia, Kyrgyz Republic, Morocco, Nigeria, The Philippines, Rwanda, Tunisia, and Uzbekistan) have begun reporting data for other financial corporations. For IIP, five countries (Kenya, Madagascar, The Gambia, Republic of Congo, and Uzbekistan) have started to report IIP while six countries (Djibouti, Eswatini, Liberia, Nigeria, Rwanda, and Zambia) have increased the frequency of IIP from annual to quarterly. Among these countries, Kenya, Liberia, Rwanda, Sudan and South Sudan have reached important milestones in the improvement of IIP statistics such as having an integrated IIP statement, producing International Reserves and Foreign Currency Liquidity, and collecting enhanced further direct investment statistics. For GFS, mostly supported by other external funding sources, nine countries (Burkina Faso, Ethiopia, Mozambique, Mongolia, Nepal, Armenia, Georgia, and Kosovo) have started to report GFS balance sheet data, while additional six countries (Eswatini, Guatemala, Jordan, Lesotho, Madagascar, Papua New Guinea, and Zambia) have started to report government balance sheet liability data. Most notably, due to these efforts through FSM seven countries have compiled primary statistics to generate a BSA matrix for the first time (Angola, Burkina Faso, Cambodia, Guinea, Mongolia, Morocco, and The Philippines).		
2. Overall, the FSM has helped 44 LLMICs (including those listed in Item 1) address topic-specific data issues and improve the BSA matrices. Further TA will help these countries to address the data gaps and have more complete, accurate and timely BSA matrices.		

ANNEX II. OUTCOME OF THE EXTERNAL EVALUATION OF FSSF PHASE I

The conclusions of the external evaluation report of the FSSF Phase I were positive and supported a renewal of the FSSF. The evaluation assessed the performance of FSSF in achieving its mandate as envisaged in its program document and formulated a few specific recommendations for improvement. The ratings received based on evaluation criteria were very good and the evaluation report concluded that: (i) the FSSF performed well in Phase I; (ii) both Reform Module and Statistics Module were well-designed; and (iii) the program was relevant, coherent, and well-coordinated with the IMF area department activities. The evaluation acknowledged that the COVID-19 pandemic had significantly disrupted CD delivery and the reform implementation agenda in all recipient countries, which should have lowered scores in some areas (e.g., effectiveness, efficiency, and impact).

The evaluation presented nine recommendations, which will be used to improve the program in Phase II. Four recommendations were rated as high and the remaining five as medium priorities, with a few proposals for improvement summarized in Annex Table 1.

Annex Table 1. Actions to Address Recommendations of the External Evaluation of FSSF Phase I

	Summary of Recommendations	**Envisaged Actions to Address Recommendations**
1	IMF needs to elaborate in detail the objectives and purposes of FSSRs and take proactive action to achieve them. (High)	Objectives and purposes of FSSRs will be more clearly articulated. The FSSR Handbook (an internal MCM guidance for staff) will be revised to provide more guidance in designing the projects and to ensure that not only World Bank, but also other TA providers relevant to the individual countries (e.g., ADB, EBRD, etc.) be adequately engaged. Project managers of FSSR follow-up TA projects will coordinate the work.
2	Financial Reform Module follow-up CD needs to be designed in a manner that is more cognizant of likely implementation timescale and beneficiary absorption capacity. (High)	The FSSR follow-up TA projects will be made more focused by limiting the scope to a few workstreams (e.g., 2-3 workstreams). A larger number of workstreams would be allowed only in exceptional circumstances (large TA needs, adequate absorption capacity, etc.). The IMF will perform capacity assessments (short-term missions by project managers and FSSR mission chief) before designing follow-up TA programs.
3	Whilst still developing a long-term Financial Reform Module action plan, consider breaking up follow-up CD interventions into discreet, coordinated and sequenced topical projects, or clusters of projects, rather than committing funds for the entire initiative up-front (High)	The scope of the FSSR follow-up TA work will be in line with the proposal described under item 2 above. In the event of adequate project execution and continued demand for TA, the project would be revised and submitted to FSSF SC for re-approval. This will be also supported by greater flexibility in funding TA follow-up programs.
4	IMF and donors should discuss the approach to prioritization of Financial Reform Module countries in the Statistics Module portfolio (High)	Statistics Module annual work plans will be based on the priorities determined by the Area Departments, the outcome of Reform Module, country authorities' requests, and STA's own considerations under the Statistics Module. IMF staff will present how the FSSR countries are incorporated in the

		Statistics Module work plan and discuss with donors at the check-in/annual meetings.
5	Strengthen linkage of Statistics Module activities with FSSRs and develop country Statistics Module CD implementation roadmaps (Medium)	IMF staff will: (i) prepare a chapter on financial sector statistics within the TA report of FSSR missions; (ii) develop a high-level Statistics Module country action plan based on the findings of the FSSR mission and provide further details on the action plan; (iii) identify future TA needs; (iv) organize semi annual meetings among FSSF coordinators in STA and MCM and (v) reflect the roadmap with missions, milestones, and targets for individual topical interventions.
6	Both Financial Reform Module and Statistics Module to explore options for strengthening monitoring and reporting of implementation of CD advice (Medium)	IMF will develop a comprehensive formal system to monitor the RBM log frames more frequently, including the ratings updates to assess the level of implementation of the action plans left by the missions, irrespective of funding source. For the Reform Module, LTX reports will include time-bound action plans and LTXs will have responsibility for monitoring implementation of STX work, as relevant. MCM TA project managers will oversee the process.
7	Improve the use of RBM logframes through better design, increasing accountability, and consistent updating, and link with donor reporting. Also develop a Theory of Change for the Program and each of the modules, and link with RBM indicators (Medium)	IMF will improve the clarity of log frames and introduce semi-annual monitoring of results for both Reform Module and Statistics Module. CDMAP is expected to improve the reporting of financial and results in country-specific projects, and IMF staff will continue to engage on best reporting practices including using RCDCs as examples.
8	For Financial Reform Module, consider developing broad criteria and parameters for deploying LTXs to ensure they are being used cost-effectively. In addition, develop methodical approach for deploying an appropriate mix of STXs and LTX in a country (Medium)	IMF staff will articulate a more systematic approach in deploying LTX and STXs in follow-up TA programs. However, we note that focusing narrowly on cost metrics will not capture many of the intangible benefits of more consistent and continuous involvement in environments with low absorption capacity.
9	Strengthen coordination with WB and donors at both strategic and operational levels (Medium)	Regular (quarterly) coordination at program level between IMF and WB will continue, including regarding the selection of countries for FSSRs and coordination of follow-up TA activities. TA project managers will continue to actively engage with their WB counterparts on individual FSSR follow-up TA projects.