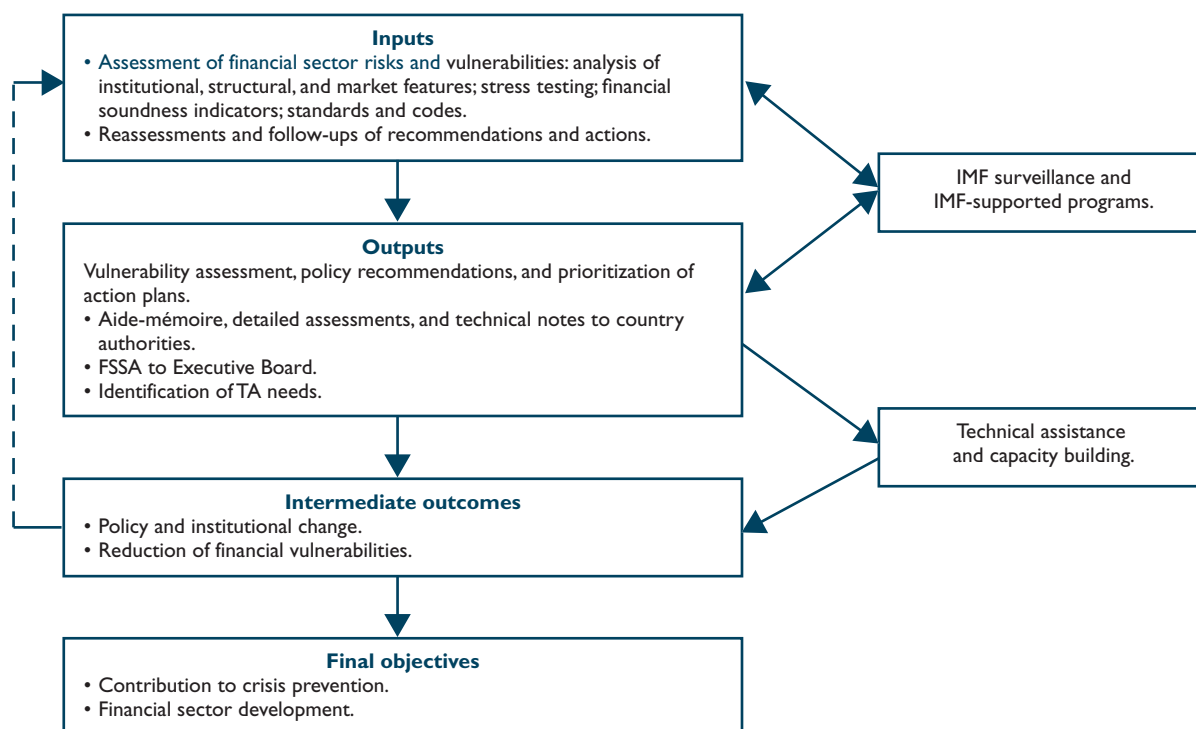


Figure 3.1. The FSAP Framework



- (i) *Inputs*. Has the assessment of financial vulnerabilities been effective and cost-efficient in terms of identifying the principal sources of risks?
- (ii) *Outputs*. Have findings and recommendations been clearly articulated and prioritized?
- (iii) *Outcomes*. Has the FSAP process, as well as supporting IMF instruments, led to policy and institutional changes that significantly reduced financial vulnerabilities? Have follow-ups provided effective encouragement to this process?
- (iv) *Integration with surveillance*. Has the overall surveillance function of the IMF with regard to the financial sector been improved by the integration of the FSAP/FSSA into Article IV surveillance? Have the arrangements for follow-ups and reassessments resulted in effective support for ongoing financial sector surveillance?

Methodology and time frame

The evaluation will use various types of evidence to address the above questions. Cross-coun-

try analysis will address such issues as how FSAP priorities were implemented, coverage of Reports on the Observance of Standards and Codes (ROSCs), characteristics of stress testing performed, and use of financial soundness indicators. Desk reviews will be employed systematically to collect evidence contained in FSAP documents and assess the main evaluation issues across a broad group of countries (that is, assessment effectiveness, articulation of recommendations, and overall surveillance integration under diverse country circumstances). More in-depth reviews, including country visits, will examine in greater detail how the FSAPs have been conducted, their interaction with IMF surveillance, and their policy impact. The evaluation will also make use of interviews and surveys to gather the views of diverse groups of stakeholders, including IMF and World Bank staff, financial market participants, regulators, and country authorities. Coordination with the OED will include cooperation on various joint inputs, including on the in-depth country reviews and survey exercises, but the two units will produce separate reports covering the roles of their respective institutions. The final IEO report is expected to be presented to the Board in the fall of 2005.