

# Preface

The experience of many countries around the world clearly shows that while financial sector development can spur economic growth, financial fragility and instability can seriously harm growth. Following the financial crises of the late 1990s, there has been increasing interest in the systematic assessment of the strengths and weaknesses of financial systems, with the ultimate goal of formulating appropriate policies to foster financial stability and stimulate financial sector development. The Financial Sector Assessment Program (FSAP), a joint World Bank–IMF program introduced in 1999, represents a response to this demand for systematic assessments. The emergence of various financial sector Standards and Codes and the associated Reports on Observance of Standards and Codes (ROSCs) are further examples of the increased focus on financial sector assessments.

Consequently, there has been an increased demand from financial sector authorities in many countries, as well as from World Bank and IMF staff for information on key issues and sound practices in the assessment of financial systems and in the design of policy responses. This Handbook of Financial Sector Assessment is a response to this demand. The Handbook presents an overall analytical framework for assessing financial system stability and developmental needs, providing broad guidance on approaches, methodologies, and techniques of assessing financial systems.

Although the Handbook draws substantially on World Bank and IMF experience with the FSAPs and from the broader policy and operational work in both institutions, it is designed for generic use in financial sector assessments, whether conducted by country authorities themselves, or by World Bank and IMF teams. It is, therefore, our hope that the Handbook will serve as an authoritative source on the objectives, analytical framework and methodologies of financial sector assessments as well as a comprehensive reference book for training on the techniques of such assessments.

The Handbook was prepared under the general oversight of Messrs. Alexander E. Fleming (Sector Manager, Finance and Private Sector Division, World Bank Institute), Tomás J. T. Baliño (Deputy Director, Monetary and Financial Systems Department, IMF), and Larry Promisel (former Director, Financial Sector Global Partnership, World Bank).

It is the product of intense collaboration among a large number of staff and experts from both the World Bank and the IMF (primary contributors are listed on the next page). The design, drafting, and editing of the Handbook was coordinated by a team consisting of Mr. V. Sundararajan (Lead Project Consultant, Centennial Group Holdings and former Deputy Director, IMF), Mr. Abayomi A. Alawode (Senior Financial Sector Specialist, World Bank Institute), Mr. Mathew Jones (Senior Economist, IMF), and Mr. Martin Čihák (Economist, IMF).

We wish to thank the entire team for their valuable efforts in bringing this project to fruition.



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