



Financial Sector Development & Regionalization Project I (FSDRP I) (P121611)

AFRICA | Africa | Finance, Competitiveness and Innovation Global Practice |
IBRD/IDA | Investment Project Financing | FY 2011 | Seq No: 14 | ARCHIVED on 10-Dec-2018 | ISR33690 |

Implementing Agencies: EAC Secretariat, EAC Secretariat, East African Community, East African Community

Key Dates

Key Project Dates

Bank Approval Date: 31-Jan-2011

Effectiveness Date: 20-Jun-2011

Planned Mid Term Review Date: 30-Nov-2012

Actual Mid-Term Review Date: 22-Oct-2012

Original Closing Date: 30-Mar-2014

Revised Closing Date: 30-Sep-2019

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

To establish the foundation for financial sector integration among EAC Partner States.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

Yes

Board Approved Revised Project Development Objective (If project is formally restructured)

To establish the foundation for financial sector integration among EAC Partner States. For the purposes of this additional financing the "foundation of financial sector integration" refers to formulating a regional approach to financial inclusion, furthering legal and regulatory harmonization and building institutional capacity to manage the increasingly integrated financial sector in the EAC.

Components

Name

Financial inclusion and strengthening of market participants:(Cost \$4.30 M)

Harmonization of financial laws and regulations:(Cost \$4.23 M)

Mutual recognition of supervisory agencies:(Cost \$0.70 M)

Integration of market infrastructure:(Cost \$3.75 M)

Development of regional bond market

Institution Building:(Cost \$12.10 M)

Project Management:(Cost \$1.10 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Moderately Satisfactory	● Moderately Satisfactory
Overall Implementation Progress (IP)	● Moderately Satisfactory	● Moderately Satisfactory
Overall Risk Rating	● Moderate	● Moderate

Implementation Status and Key Decisions



- (1) The ratings for progress towards PDO and Implementation Progress were maintained at Moderately Satisfactory. Since the previous Implementation Support Mission (ISM) in December 2017, the project's total disbursement for fiscal year (FY) 2018, from July 2017 to June 2018, was \$2,436,999.53 against the FY 2018 budget of \$4,730,000, resulting in an absorption rate of 51.6%. In terms of the overall project funds granted by the WB, the disbursement ratio is 31.6% as of August 2018.
- (2) CMI activities made a good progress recently, the vender of CMI has completed to install SOR (Smart Order Router and Automated Trading System) in the two countries (Tanzania and Uganda), currently working on CDSI (Central Depository System Interface and integration with Payment System) and MSG (Financial Information Exchanges (FIX) and Swift ISO 2022 MX) for these two countries, while the work on developing CMI interface for Rwanda and Burundi is making progress. All work to connect four countries are planned to be completed by May 2019.
- (3) Two of the tracked indicators in the project results matrix registered improvement by the end of December 2017: (i) Number of accounts within regulated institutions (Banks and MFIs) (number) increased from 62.5 million in December 2016 to 73.4 million in December 2017 (exceeding the estimated target for December 2017 of 69.4 million); and (ii) The number of policy papers prepared by the Project Administrative Team (PAT) and presented to the Steering Committee increased to 11 in December 2017 from 7 in December 2016 (exceeding even the estimated target for December 2019 of 10 papers).
- (4) In November 2017, the EAC Executive and Steering committee recommended a change to one of the performance indicators tracked by the project results matrix, specifically collecting information on the number of *active* accounts within regulated institutions (Banks and MFIs) instead of the number of (*all*) accounts within regulated institutions (Banks and MFIs). The WB task team alerted the PAT that making such a change would require a formal restructuring of the project. While this request was well-timed in respect of the mid-term review, the WB task team requested the PAT to review closely the project results matrix to check whether the change is feasible (i.e. historical data is available), whether it would also necessitate revision of other indicators, and verify that the current indicators can in fact be directly attributed to FSDRP activities.
- (5) One of PDO result indicators related to CMI transaction needs to be revisited
- (6) The project made considerable progress on activities under each AF component. The PAT submitted a progress report detailing the 38 activities undertaken between January 2018 and July 2018. In addition, substantial progress was made to address the issues impeding CMI implementation, including the signing of Addendum II of the CMI contract on June 12, 2018, and CMI activities are expected to begin soon. The progress report also provided information on the Monitoring and Evaluation (notably the project results matrix), FM and Procurement functions of the project.
- (7) As follow up to the previous ISM, the PAT undertook a scoping mission to the Republic of South Sudan to identify the scope, nature and design of FSDRP activities in the country. A report was produced and signed by the Under-Secretary of the South Sudanese Ministry of Trade, Industry and East African Affairs. The PAT also added a new activity to their roster of ongoing activities and provided an estimate of the budget needed to undertake the activity.
- (8) Outputs from the final detailed assessment of the planned activities are critical inputs for the mid-term review discussions, which is optimal timing for considering decisions to initiate a restructuring of the project. Following the preliminary assessment during the ISM, the task team recommended that the PAT revise the FY 2019 and 3-year work plan to better document the project activities, outputs and indicators. In response, the PAT agreed to submit revised annual work plans.
- (9) Discussions on the work plans and the FM assessment revealed that the project faced challenges in aligning its annual budget with the EAC Secretariat budget cycle, which leads to difficulty in rolling over unutilized funds from one fiscal year to another. As just over half of the FY 2018 budget was spent, the PAT presented a supplementary budget proposal to redeploy the unspent funds for FY 2019 planned activities. Once the WB task team provides a NO to use these funds, this proposal will be submitted for approval through various EAC committees and councils, starting with the EAC FSDRP Steering and Executive Committee in August 2018 and ending with the EAC Assembly in March/April 2019. Given these EAC approval procedures, these funds will not be available for project use until after the approval of the Assembly and these funds must be spent within FY 2019. *As such, the WB task team recommended that the PAT ensure proper and realistic planning and execution of upcoming project activities.*
- (10) Given the difficulty in rolling over unused funds, the detailed assessment of upcoming project activities detailed above was revised to only include activities that would be able to effectively utilize the reallocated funds within the few months remaining in FY 2019 following the Assembly approval. It should be noted that these procedures add further challenges to the PAT's implementation progress as certain activities (i.e. CMI project) will require these funds before March 2019. *The WB task team urged the PAT to prioritize and properly budget for activities that have contracted payment schedules to ensure that these obligations are met in a timely manner.*
- (11) During discussions with the EAC executive (EAC Deputy Secretary General, Planning and Infrastructure, and EAC Director of Planning), the WB task team reiterated their recommendation from the previous ISM that the EAC consider developing mechanisms to ensure sustainability of the activities that have been initiated and implemented by the FSDRP project. Continued implementation of these activities through these mechanisms, particularly at the Partner State level, is needed in order to sustain progress towards the high-level regional integration agenda, in particular increased financial sector integration. The WB task team also noted that getting high-level Partner State commitment to continuing these activities is necessary to develop mechanisms that will successfully sustain the progress triggered under the FSDRP project.



Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	--	● Substantial	● Substantial
Macroeconomic	--	● Moderate	● Moderate
Sector Strategies and Policies	--	● Low	● Low
Technical Design of Project or Program	--	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	--	● Substantial	● Substantial
Fiduciary	--	● Moderate	● Moderate
Environment and Social	--	● Low	● Low
Stakeholders	--	● Moderate	● Moderate
Other	--	--	--
Overall	--	● Moderate	● Moderate

Results

PDO Indicators by Objectives / Outcomes

Project Development Objective: To establish the Foundation for Financial Sector Integration

▶ Number of accounts within regulated institutions (Banks and deposit-taking MFIs) (Number (Thousand), Custom)

Baseline

Actual (Previous)

Actual (Current)

End Target



Value	57,370.00	--	73,400.00	75,000.00
Date	31-Oct-2016	--	08-Aug-2018	30-Sep-2019
►Number of trades executed through EAC CMI IT platform (Number (Thousand), Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	30.00	--	30.00	900.00
Date	31-Oct-2016	--	08-Aug-2018	30-Sep-2019
►Number of legal instruments relating to financial sector harmonization in the EAC (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	14.00	--	14.00	25.00
Date	31-Oct-2016	--	08-Aug-2018	30-Sep-2019

Overall Comments

In November 2017, the EAC Executive and Steering committee recommended a change to one of the performance indicators tracked by the project results matrix, specifically collecting information on the number of *active* accounts within regulated institutions (Banks and MFIs) instead of the number of (*all*) accounts within regulated institutions (Banks and MFIs). The WB task team alerted the PAT that making such a change would require a formal restructuring of the project since this particular indicator is directly indicative of progress toward achievement of the PDO.

Intermediate Results Indicators by Components

Component 1: Financial Inclusion and Strengthening of Market Participants				
►Development of implementation strategies for certification programs (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	2.00
Date	21-Jul-2016	12-Dec-2017	08-Aug-2018	30-Sep-2019

Component 3: Institution Building				
►Number of policy papers prepared by the PAT (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	7.00	7.00	11.00	10.00



Date	21-Jul-2016	12-Dec-2017	08-Aug-2018	30-Sep-2019
▶Harmonized statistics for financial subsectors represented in the database (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3.00	3.00	3.00	5.00
Date	21-Jul-2016	12-Dec-2017	08-Aug-2018	30-Sep-2019

Data on Financial Performance

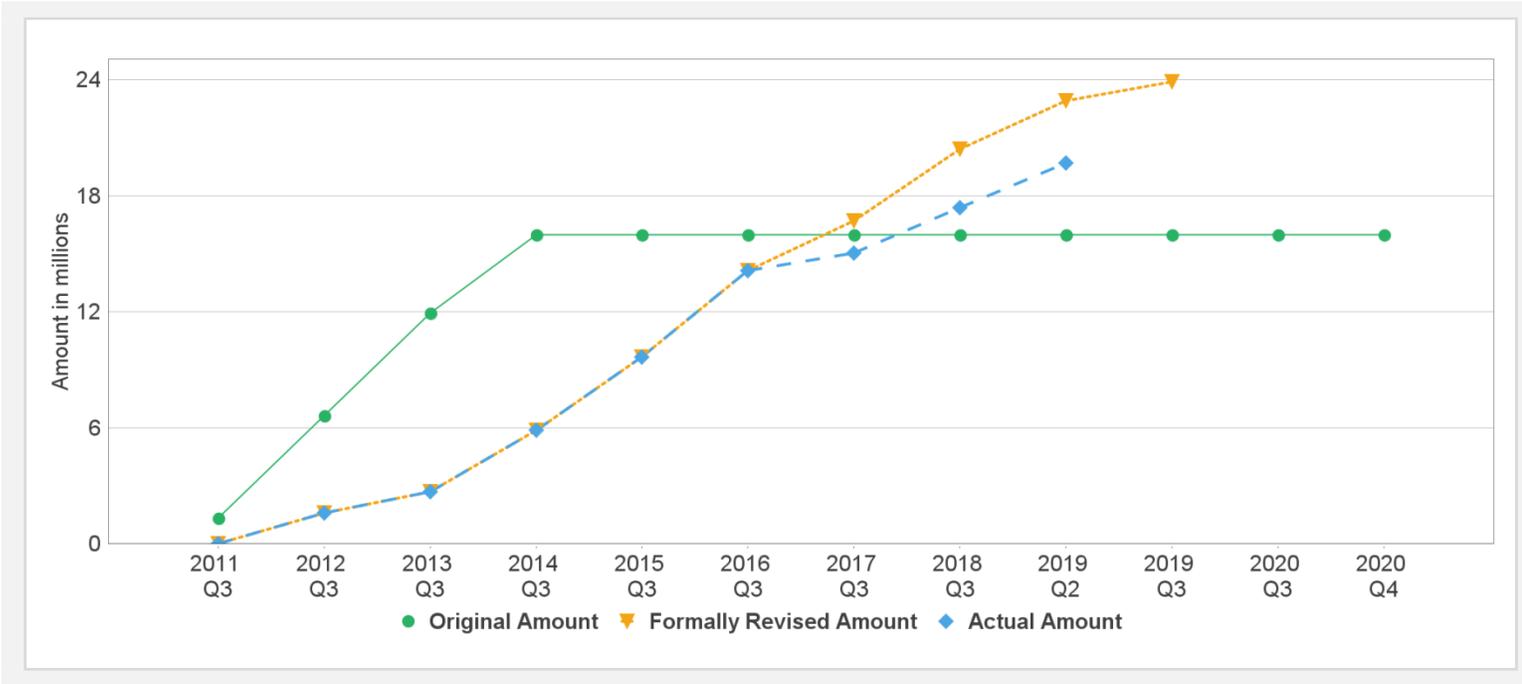
Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P121611	IDA-D1410	Effective	USD	10.50	10.50	0.00	4.74	5.91	44%
P121611	IDA-H6410	Closed	USD	16.00	16.00	0.00	14.97	0.46	97%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P121611	IDA-D1410	Effective	30-Sep-2016	11-Nov-2016	15-Feb-2017	30-Sep-2019	30-Sep-2019
P121611	IDA-H6410	Closed	31-Jan-2011	14-Feb-2011	20-Jun-2011	30-Mar-2014	30-Nov-2016

Cumulative Disbursements



Restructuring History

Level 2 Approved on 28-Feb-2014 ,Level 2 Approved on 18-Jun-2015 ,Level 2 Approved on 25-Feb-2016 ,Level 2 Approved on 28-Sep-2016

Related Project(s)

P160770-EAC Financial Sector Development and Regionalization Project I: AF