IMPACT ASSESSMENT
OF SEOUL CENTER KOREA TRUST FUND

THE INITIAL
TEN-YEAR
JOURNEY
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTRODUCTION</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>EXECUTIVE SUMMARY</strong></td>
<td>9</td>
</tr>
<tr>
<td><strong>Chapter 1. Overview of KTF activities, links to WBG lending and similar TA providers</strong></td>
<td>12</td>
</tr>
<tr>
<td>1.1. Brief background</td>
<td>12</td>
</tr>
<tr>
<td>1.2. Scope of TA and advisory services provided to EAP countries</td>
<td>14</td>
</tr>
<tr>
<td>1.3. KTF-funded activities linked to World Bank lending programs</td>
<td>15</td>
</tr>
<tr>
<td>1.4. Donor coordination</td>
<td>16</td>
</tr>
<tr>
<td>1.5. Other regional bilateral donor centers</td>
<td>16</td>
</tr>
<tr>
<td><strong>Chapter 2. TA/advisory activities concluded between 2012 and 2022</strong></td>
<td>17</td>
</tr>
<tr>
<td>2.1. Cambodia</td>
<td>17</td>
</tr>
<tr>
<td>2.2. Indonesia</td>
<td>19</td>
</tr>
<tr>
<td>2.3. Lao PDR</td>
<td>20</td>
</tr>
<tr>
<td>2.4. Mongolia</td>
<td>21</td>
</tr>
<tr>
<td>2.5. Myanmar</td>
<td>25</td>
</tr>
<tr>
<td>2.6. Papua New Guinea</td>
<td>28</td>
</tr>
<tr>
<td>2.7. The Philippines</td>
<td>28</td>
</tr>
<tr>
<td>2.8. Vietnam</td>
<td>31</td>
</tr>
<tr>
<td><strong>Chapter 3. Durable country-level outcomes realized</strong></td>
<td>32</td>
</tr>
<tr>
<td>3.1. Indonesia</td>
<td>32</td>
</tr>
<tr>
<td>3.2. Lao PDR</td>
<td>33</td>
</tr>
<tr>
<td>3.3. Mongolia</td>
<td>34</td>
</tr>
<tr>
<td>3.4. Myanmar</td>
<td>35</td>
</tr>
<tr>
<td>3.5. Papua New Guinea</td>
<td>35</td>
</tr>
<tr>
<td>3.6. The Philippines</td>
<td>35</td>
</tr>
<tr>
<td><strong>Chapter 4. In consideration of extending the KTF facility</strong></td>
<td>36</td>
</tr>
<tr>
<td><strong>Annex 1: Terms of Reference for KTF limited scope impact assessment</strong></td>
<td>39</td>
</tr>
<tr>
<td><strong>Annex 2: List of Interviewees</strong></td>
<td>41</td>
</tr>
</tbody>
</table>
## List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A&amp;A</td>
<td>Accounting and Auditing</td>
</tr>
<tr>
<td>AML/CFT</td>
<td>Anti-Money Laundering and Combating the Financing of Terrorism</td>
</tr>
<tr>
<td>ASA</td>
<td>Advisory Services Analytics</td>
</tr>
<tr>
<td>BoL</td>
<td>Bank of the Lao PDR</td>
</tr>
<tr>
<td>BoM</td>
<td>Bank of Mongolia</td>
</tr>
<tr>
<td>BPNG</td>
<td>Bank of Papua New Guinea</td>
</tr>
<tr>
<td>BSP</td>
<td>Bangko Sentral ng Pilipinas</td>
</tr>
<tr>
<td>CAFIU</td>
<td>Cambodia Financial Intelligence Unit</td>
</tr>
<tr>
<td>CBM</td>
<td>Central Bank of Myanmar</td>
</tr>
<tr>
<td>CMDs</td>
<td>Capital Markets Development Strategy</td>
</tr>
<tr>
<td>CPF</td>
<td>Country Partnership Framework</td>
</tr>
<tr>
<td>CSE</td>
<td>Crisis Simulation Exercise</td>
</tr>
<tr>
<td>DBM</td>
<td>Development Bank of Mongolia</td>
</tr>
<tr>
<td>DICOM</td>
<td>Deposit Insurance Corporation of Mongolia</td>
</tr>
<tr>
<td>DPF</td>
<td>Deposit Protection Fund</td>
</tr>
<tr>
<td>DPO</td>
<td>Development Policy Operation</td>
</tr>
<tr>
<td>DRF</td>
<td>Disaster Risk Financing</td>
</tr>
<tr>
<td>EAP</td>
<td>East Asia and Pacific (World Bank region)</td>
</tr>
<tr>
<td>ELA</td>
<td>Emergency Lending Arrangement</td>
</tr>
<tr>
<td>EWS</td>
<td>Early Warning System</td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
</tr>
<tr>
<td>FCI</td>
<td>Finance, Competitiveness, and Innovation Global Practice</td>
</tr>
<tr>
<td>FinSAC</td>
<td>Financial Sector Advisory Center</td>
</tr>
<tr>
<td>FRD</td>
<td>Financial Regulatory Department (Myanmar)</td>
</tr>
<tr>
<td>FRC</td>
<td>Financial Regulatory Commission (Mongolia)</td>
</tr>
<tr>
<td>FSAP</td>
<td>Financial Sector Assessment Program</td>
</tr>
<tr>
<td>FSC</td>
<td>Financial Stability Council (Mongolia)</td>
</tr>
<tr>
<td>FSI</td>
<td>Financial Soundness Indicator</td>
</tr>
<tr>
<td>FSNP</td>
<td>Financial Safety Net Project</td>
</tr>
<tr>
<td>GoM</td>
<td>Government of Mongolia</td>
</tr>
<tr>
<td>GoV</td>
<td>Government of Vietnam</td>
</tr>
<tr>
<td>IAAC</td>
<td>Independent Authority Against Corruption</td>
</tr>
<tr>
<td>IADI</td>
<td>International Association of Deposit Insurers</td>
</tr>
<tr>
<td>IEG</td>
<td>Independent Evaluation Group (World Bank)</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>ISA</td>
<td>Insurance Supervisory Authority</td>
</tr>
<tr>
<td>JIT</td>
<td>Just-in-Time</td>
</tr>
<tr>
<td>KDIC</td>
<td>Korea Deposit Insurance Corporation</td>
</tr>
<tr>
<td>KTF</td>
<td>Korea Trust Fund (Poverty Reduction and Socio-Economic Development Trust Fund II)</td>
</tr>
<tr>
<td>KYC</td>
<td>Know Your Customer</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MCUD</td>
<td>Ministry of Construction and Urban Development (Mongolia)</td>
</tr>
<tr>
<td>MEF</td>
<td>Ministry of Economy and Finance</td>
</tr>
<tr>
<td>MIFC</td>
<td>Malaysian Islamic Financial Center</td>
</tr>
<tr>
<td>MoEF</td>
<td>Ministry of Economy and Finance (Korea)</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance (Mongolia)</td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MPU</td>
<td>Myanmar Payment Union</td>
</tr>
<tr>
<td>MSCC</td>
<td>Mongolian Securities Clearing Center</td>
</tr>
<tr>
<td>MSME</td>
<td>Micro, Small and Medium Enterprise</td>
</tr>
<tr>
<td>MTPL</td>
<td>Motor Third Party Liability</td>
</tr>
<tr>
<td>NBC</td>
<td>National Bank of Cambodia</td>
</tr>
<tr>
<td>NBFI</td>
<td>Non-Bank Financial Institution</td>
</tr>
<tr>
<td>NGO</td>
<td>Nongovernmental Organization</td>
</tr>
<tr>
<td>NPL</td>
<td>Non-Performing Loan</td>
</tr>
<tr>
<td>NPS</td>
<td>National Payment System</td>
</tr>
<tr>
<td>NRA</td>
<td>National Risk Assessment</td>
</tr>
<tr>
<td>NSDP</td>
<td>National Strategic Development Plan (Cambodia)</td>
</tr>
<tr>
<td>NSFI</td>
<td>National Strategy for Financial Inclusion</td>
</tr>
<tr>
<td>PASA</td>
<td>Programmatic Advisory Services and Analytics</td>
</tr>
<tr>
<td>PCG</td>
<td>Partial Credit Guarantee</td>
</tr>
<tr>
<td>PDIC</td>
<td>Philippine Deposit Insurance Corporation</td>
</tr>
<tr>
<td>RBS</td>
<td>Risk-Based Supervision</td>
</tr>
<tr>
<td>RTGS</td>
<td>Real-Time Gross Settlement</td>
</tr>
<tr>
<td>SCD</td>
<td>Systemic Country Diagnostic</td>
</tr>
<tr>
<td>Seoul Center</td>
<td>Seoul Center for Finance and Innovation</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SOB</td>
<td>State Owned Bank</td>
</tr>
<tr>
<td>SOE</td>
<td>State Owned Enterprise</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operating Procedures</td>
</tr>
<tr>
<td>SSC</td>
<td>State Securities Commission (Vietnam)</td>
</tr>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
</tr>
<tr>
<td>VSS</td>
<td>Vietnam Social Security Fund</td>
</tr>
<tr>
<td>WBG</td>
<td>World Bank Group</td>
</tr>
</tbody>
</table>
Acknowledgement

The Impact Assessment of Seoul Center Korea Trust Fund Supported East Asia and the Pacific Country Activities was prepared by Mike Edwards (World Bank Consultant) as Lead Author, with input from Stuart Yikona (Program Manager), Soohyang Lee (Financial Sector Specialist), Finance, Competitiveness, and Innovation (FCI) Global Practice, the Seoul Center team, FCI East Asia and Pacific task teams (current and past) of the programs supported by the Korea Trust Fund, under the overall guidance of Zafer Mustafaoglu, Practice Manager, FCI East Asia and Pacific.

The Seoul Center team would like to thank Dara Lengkong, Katia D’Hulster, Ketut Ariadi Kusuma, Kiyotaka Tanaka, Michael Corlett, Neni Lestari, Radu Tatuuc, Ratchada Anantavasalipa, Smita Wagh, Thilasoni Benjamin Musuku, Tim De Vaan, Uzma Khalil, Vidaovanh Phounvixay, Viet Quoc Trieu, and Wei Zhang, who supported and contributed to the completion of this impact assessment report. They provided valuable contextual information on the various activities and impact. Their support was essential in helping us conduct a comprehensive and accurate assessment.

We would also like to express our appreciation to the activities beneficiaries, who took time to participate in interviews and share their feedback on the various activities impact. Their input helped us understand the activities outcomes from their perspective and evaluate the effectiveness of the Seoul Center Korea Trust Fund.

We also acknowledge the support of our colleagues Atfah Jahan Dad, Sameer Goyal, and Youjin Choi for their review of this report. Their input was helpful in ensuring that the report was robust and of good quality.

Finally, we would like to thank the Government of Korea, through the Ministry of Economy and Finance, for the unwavering generous financial support in the past decade, which has made a difference in the countries in East Asia and the Pacific. They have been a dependable partner and we look forward to continued collaboration in the coming years to support financial and private sector agendas in East Asia and the Pacific and beyond.
Foreword

It is my singular pleasure and honor to introduce this report on the impact assessment of the World Bank Korea Trust Fund for financial sector development in East Asia and the Pacific Region supported by the Ministry of Economy and Finance. The focus is on assessing the effectiveness of the Korea Trust Fund (Phase 1 and 2) resources deployed in nine East Asia and Pacific countries in promoting financial sector development from 2012-2022. The funding has aimed at increasing access to finance, promoting financial inclusion, strengthening financial supervision to ensure financial stability, and catalyzing economic growth.

This report provides an objective assessment of the impact of this funding on financial sector development drawing on a range of data sources, interviews of task leaders, and client country beneficiary agencies and officials. We have sought to answer key questions including whether the funding has made a difference in promoting financial sector reforms, building capacity, and laying a foundation for future deepening of financial sector and private sector development.

Our findings reveal both successes lessons related to this donor funding. The findings show that these resources fulfilled its objective, with a broad positive impact and a substantial set of durable outcomes. The funding allowed countries to build stable, inclusive, and resilient financial systems, especially during the COVID-19 pandemic, and helped achieve systematic reform advancements. Some of the lessons identified include the need to have multiple reform champions in government to sustain reform initiatives; the need to support countries in integrating climate issues in the financial sector and the importance of systematic dissemination of the findings of the technical assistance.

This report also aims to provide insights and recommendations to documenting the effectiveness of the donor funding especially now that the support has expanded to include innovation and private sector development agenda. We hope the findings will help guide future support for financial and private sector development and ultimately contribute to greater economic growth in the developing economies of East Asia and the Pacific.

I hope you find the report informative and thought-provoking.

Hassan Zaman
Regional Director
Equitable Growth, Finance, and Institutions
East Asia and Pacific
World Bank
Introduction

This limited scope impact assessment was undertaken on behalf of the Finance, Competitiveness, and Innovation Seoul Center Korean Trust Fund (hereinafter ‘KTF’) in accord with an agreed Term of Reference. The purpose of this assignment is to carry out an independent impact assessment of select East Asia Pacific (EAP) country-level technical assistance and advisory grant funded projects completed over 10 years from 2012 through 2022. The assessment of results realized focused on 15 country-level TA and advisory KTF grant funded activities concluded by end-2022.

This assessment is not intended to be a standard evaluation as envisaged under the World Bank Trust Fund processes. Rather, as part of the 10th anniversary commemoration of the Seoul Center, it is to take stock of how the Republic of Korea’s financial support has made a difference in enhancing the financial sectors of EAP countries and complemented a number of financial sector related lending operations over the years. Such documentation has not been done until now.

The overarching objective of the KTF is to improve development of financial and private sectors in the EAP region by delivering better technical assistance (TA) and advisory services to EAP countries. To achieve this objective, the Seoul Center for Finance and Innovation provides grants to support EAP countries with demand-driven, priority TA, advisory, and capacity-building. The primary work of the Seoul Center is to manage and implement the trust fund that supports financial and private sector development in EAP countries. In addition, demand-driven analytics, advisory work, and capacity building are conducted through the Seoul Center by leveraging the expertise and knowledge of Korean institutions.

This assessment was based on extensive interviews with World Bank staff and TA recipients from EAP countries active in the country-level financial sector reform efforts. Preparation of this impact assessment was informed through, among others, review of extensive internal and published World Bank documents and the World Bank’s Independent Evaluation Group (IEG) publication on Impact Evaluations and Development.

Importantly, given the prior dissemination of the seven comprehensive Annual Reports since 2015, and other documents issued by the donor, the Ministry of Economy and Finance of the Republic of Korea, this impact assessment aims to be both succinct and actionable, without replicating the detailed information already provided to the donor. As this assessment is not the standard Trust Fund evaluation, there was no sampling of activities to be covered, rather we took the approach of looking at activities supported under Phases 1 and 2 of the KTF.

This report is structured as follows: after the Executive Summary, Chapter 1 briefly reviews the scope of the grant activities subject to the evaluation, links with World Bank Group (WBG) country-level lending operations and similar, other bilateral donor-funded financial sector TA providers. Chapter 2 reflects on country-by-country KTF-funded project concluded during 2012–2022 subject to the assessment. Chapter 3 lays out a set of durable country-level impacts identified. Chapter 4 lays out lessons learned and recommendations in consideration of KTF’s continuation of its activities.

---

1 See Annex I for Terms of Reference.
2 Please note that years used in this analysis are based on the calendar year.
3 For in-depth analysis of each TA conducted, this report is based on the activity level (P-code), not the grant level approved by the donor, Ministry of Economy and Finance. A grant can be divided into multiple projects as necessary.
4 A total of four activities were excluded from this assessment, three in China and one in Thailand; these were undertaken early in Phase 1 of the program, neither linked nor deemed sufficiently impactful to be considered.
5 A list of people interviewed is included in Annex II.
Finally, the author wishes to acknowledge the cooperation of World Bank staff, Seoul Center representatives, and country-level counterparts. All discussions were constructive; opinions expressed in this report are strictly those of the author, who is solely responsible for any errors and omissions. Nevertheless, the report reflects a consensus of views derived from the many interviews conducted and materials reviewed as to the efficacy of the goals of the KTF. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of the World Bank, its Board of Executive Directors, or the governments they represent.
Executive Summary

The overarching objective of the Seoul Center for Finance and Innovation (Seoul Center) partnership was to “improve and develop financial and private sectors in the East Asia and Pacific (EAP) region by delivering better technical assistance and advisory services to EAP countries.” To achieve this objective, the Seoul Center provides grants to provide demand-driven, priority technical assistance and support capacity-building needs in EAP client countries.

Since 2012, a total of 32 KTF grants have been allocated to 10 EAP countries and 2 regions (EAP and Global) in three phases. A total of 19 country-level technical assistance (TA) projects have been concluded in the first two phases which are subject to this limited-scope impact assessment. In practice, country-level TA and advisory needs are initially identified and determined by the World Bank Finance, Competitiveness, and Innovation (FCI) country teams in close consultation with their respective counterparts.

Seoul Center staff vet each proposed activity before consideration of its approval by the World Bank and the Republic of Korea’s Ministry of Economy and Finance (MoEF) in accord with established procedures. As the TA and advisory services in Phases 1 and 2 were focused on financial sector development, country-level counterparties have included central banks, insurance and securities regulators, Ministries of Finance (and Economy in some cases), Anti-Money Laundering (AML) authorities, and so on.

Importantly, the Seoul Center Korean Trust Fund (KTF)-funded TA and advisory activities subject to this impact assessment provided key support for 11 separate World Bank lending programs in 5 countries for nearly US$3 billion. In most cases, the catalytic role of KTF made explicit in the published World Bank Project Appraisal Documents.

The impact assessment of the concluded KTF grant supported TA and advisory programs in eight countries revealed substantial and durable outcomes realized. In the context of this impact assessment, in those countries where new laws or amendments thereof in banking, insurance, Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), payment system and/or securities were adopted by national legislative bodies, these legal changes were assessed as durable outcomes, not subject to be readily undermined or reversed.

As a corollary, implementing regulations issued thereafter, which give force to these new laws or amendments, is considered as reasonably durable given that stakeholders rely upon such and would normally have the opportunity to voice concerns were substantive changes subsequently considered. Other types of outcomes are more difficult to quantify, but are widely acknowledged among country-level authorities: for example, the many KTF project ‘how-to’ efforts to bring modern supervisory practices to banking, securities, and insurance sector authorities.

The managing team of the KTF transitioned from Washington, DC to Seoul in 2015; and as such, was required to build its internal procedures and practices while simultaneously facing strong TA demand from disparate EAP countries. Initial staff resources were bolstered once situated in Korea. Nevertheless, Seoul Center staff were challenged to balance demand, resources, and quality assurance in a new setting. In addition Memorandum of Understanding (MoUs) and Partnership Agreements were entered into with Korean public and private entities to share and leverage mutual knowledge and resources.

---

6 This has evolved under Phase 3 and forthcoming Phase 4 funding
7 Since Phase 2 (2018–2020), KTF has not been covering China or Thailand. Hence, the four country-level TA conducted for China and Thailand are not assessed in this report.
8 From June 2020, upon signing the Seoul Center Phase 3 Administrative Agreement, a private sector/innovation work stream was added to the KTF work.
9 Cambodia, Indonesia, Lao People’s Democratic Republic, Mongolia, Myanmar, the Philippines, Papua New Guinea, and Vietnam.
It is clear that the TA and advisory services provided have considerably informed the respective country authorities on how to implement new understandings, as did several Korean institutional study visits demonstrate how to improve and implement their respective mandates. A narrative summary of the many country-level outcomes realized through the KTF grant funded activities is featured in Chapter 3.

Based on an extensive review of documentation and interviews with KTF-funded teams and country counterparts, the following lessons learned and recommendations should be considered in the extension of the KTF program, which is being expanded to include fostering innovation and private sector growth in the client countries.

1. An independent impact assessment should be undertaken at the close of each phase.

2. The Seoul Center and MoEF should consistently receive explicit acknowledgment for their invaluable support for each deliverable that was supported.

3. It is crucial that the Finance, Competitiveness, and Innovation (FCI) country team identifies in each country more than one high-level ‘domestic champion’ (those able to influence policy and direct implementation) to guide the team forward and help address unforeseen obstacles.

**Recommendations to enhance quality and relevance:**

4. Building on the rising global focus to mitigate and adapt to climate change impacts, all new KTF proposals should be required to reflect how the respective EAP country financial and private sector authorities address sustainable or green issues.

5. A more robust Monitoring and Evaluation (M&E) framework should accompany every new KTF proposal. The proposed framework would then be validated by Seoul Center staff—independent of the TA delivery team. It is crucial that all new TA recognizes the potential impact of the proposed activities on relevant stakeholders in the subject country.

6. Additional Seoul Center resources will be essential to strengthen their approach towards supporting financial and private sector authorities in mitigating and adapting to the impact of climate change at the country level and if they intend to enhance their recommended M&E role.

7. A new virtual delivery model for ASA activities was inadvertently realized and scaled up owing to the pandemic and should be expanded if suitable conditions exist.

**Recommendations to strengthen dissemination and feedback links:**

8. Public dissemination events and external communication are increasingly important to gain support for reforms and to sustain the realized outcomes. To the extent practical, such outreach may be helpful to build domestic support and better profile KTF’s contribution to the county’s development.

9. Successful activities concluded should be systemically highlighted. Whether by a short video or written summary sent to relevant Korean and EAP country counterparts, doing so would enable FCI country teams and counterparts to share their first-hand experiences and raise awareness for the KTF brand.

10. To further strengthen Seoul Center’s existing quality assurance role, every seminar, workshop, and/or study visit funded by KTF should require participants to answer a questionnaire to express their views on the quality and usefulness of the materials presented.
Notwithstanding the above lessons and recommendations in consideration of extending the KTF program, there were unanimous views expressed by KTF recipients as to the quality and timeliness of the policy and technical advice provided during the review period of 2012–2022. The KTF-funded activities helped to inculcate best practice financial sector regulatory and supervisory standards in EAP countries, which provide a foundation for further efforts to strengthen financial stability and private sector innovation.

The lasting impact of such exposures, especially when delivered sequentially over time through a PASA, cannot be underestimated. It is the overarching takeaway from this assessment that the Seoul Center country-level grant supported activities represent a valuable financial sector focused policy and technical advisory program, which deserves to be strengthened and continued. Moreover, the financial resources from the Republic of Korea have been a key enabling catalyst without which many of the achievements would not have been realized.
CHAPTER 1.

Overview of KTF activities, links to WBG lending and similar TA providers

1.1. BRIEF BACKGROUND

The Seoul Center for Finance and Innovation (Seoul Center) was created through a partnership between the Ministry of Economy and Finance (MoEF) of the Republic of Korea and the World Bank Group (WBG), formalized by a Memorandum of Understanding (MoU) in October 2011. The Seoul Center initially launched its operations in 2012 from Washington DC, and relocated to the WBG Korea Office in mid-2015.

The objective of the Seoul Center partnership is to “improve and develop financial and private sectors in the EAP region by delivering better technical assistance and advisory services to EAP countries.” To achieve this objective, the Seoul Center provides grants to support demand-driven, priority technical assistance (TA), and capacity-building needs in EAP client countries. As each of the EAP country activities are featured in the published Seoul Center Annual Reports, these are not detailed herein.

Overall, the Seoul Center has partnership engagements with a large number of Korean public entities that have been supporting EAP country needs (see Figure 1 below for a sample of the partners). In addition, the Seoul Center has entered into MoUs with many Korean public entities. As such, demand-driven analytics, advisory work, and capacity building are conducted through the Seoul Center by leveraging institutions and knowledge from the Korean partners, which are not subject to this assessment.

FIGURE 1. Key Partners of the Seoul Center

<table>
<thead>
<tr>
<th>Financial Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services Commission</td>
<td>STEPI Science and Technology Policy Institute</td>
</tr>
<tr>
<td>FINTECH CENTER KOREA</td>
<td>KAIST Korea Advanced Institute of Science and Technology</td>
</tr>
<tr>
<td>KSD Korea Securities Depository</td>
<td>SEUL NATIONAL UNIVERSITY</td>
</tr>
<tr>
<td>JPRI Judicial Policy Research Institute</td>
<td>nipa National IT Industry Promotion Agency</td>
</tr>
<tr>
<td>KRX Korea Exchange</td>
<td>KDI Korea Development Institute</td>
</tr>
<tr>
<td>KDB Bank</td>
<td>KIBO Korea Technology Finance Corporation</td>
</tr>
<tr>
<td>KFIC</td>
<td>Korea Trade-Investment Promotion Agency</td>
</tr>
<tr>
<td>General Insurance Association of Korea</td>
<td>D.CAMP</td>
</tr>
<tr>
<td>Industrial Bank of Korea</td>
<td>KVIC</td>
</tr>
<tr>
<td>KOREA HOUSING-FINANCE CORPORATION</td>
<td>Ministry of Economy and Finance</td>
</tr>
</tbody>
</table>

At the end of 2022, the WBG had 10 formal MoUs with key Korean institutions in the financial sectors, and more than 45 partnerships with both the financial and private sectors, which added value to the FCI teams and EAP client countries. The MoUs are signs of agreement between the WBG and Korean counterparts to express their mutual interests in collaborative activities and are not legally binding.
To date, the MoEF has contributed US$37 million in trust funds toward the Seoul Center for 2012–2022 (average funding availability of about US$3 million per year) under three phases (SC1.0, SC2.0, and SC3.0). Since 2012, a total of 33 KTF grants have been allocated to 10 EAP countries and 2 regions (EAP and Global), from which 19 country-level TA and/or advisory KTF grant supported activities were concluded in the first two phases through end-2022 and are subject to this limited-scope impact assessment.

Figure 2 below is a chart which reflects the distribution of TA provided to date in Phases 1 and 2 by country, cumulative grant amount, and number of KTF grant supported activities:

**FIGURE 2. KTF Grants by Country during Phase 1 and 2**

Source: Seoul Center
Note: As referenced earlier, since Phase 2 (2018–2020), KTF has not covered China or Thailand. Hence, the four country-level TA conducted for China and Thailand are not assessed in this report.

In practice, country-level TA and advisory needs are initially identified and determined by the World Bank FCI country teams in consultation with their respective counterparts, tailored for each country at the point of need and aligned with the priorities of the Country Partnership Framework (CPF) and/or Systematic Country Diagnostic (SCD). Seoul Center staff vet each proposed activity before consideration by the World Bank and MoEF in accord with established process.

While a number of the early KTF grant funded TA and/or advisory activities were launched as stand-alone activities, it was determined by 2015 that outputs and impacts alike could be better leveraged at the country level if such activities could be organized and sequenced through a multiyear programmatic approach.

In this context the Programmatic Advisory Services and Analytics (PASA) instrument was introduced at KTF, which enabled a series of financial sector reform activities to be planned, funded, and staffed, thereby maximizing the potential impact for the country counterparts. Often, there were three broad sets of activities arranged in the PASA (excluding subtasks) with a just-in-time (JIT) or contingency component included to address unforeseen or arising needs during the engagement.
Accordingly, the funding requests for KTF support have become more comprehensive and spanning longer time frames (thus also larger amounts). This also resonates well with addressing strategic reforms and aiming for stronger impact in EAP countries. Most of the country grants now support engagements organized under a PASA work program.

Notably, owing to the COVID-19 pandemic, beginning in the second quarter of 2020, the pace of ongoing country-level project implementation slowed in most countries, as TA and advisory programs were obliged to shift to online or virtual meetings: there were delays in organizing meetings, obtaining data and feedback because of staff absences, lockdowns, and so on.

1.2. SCOPE OF TA AND ADVISORY SERVICES PROVIDED TO EAP COUNTRIES

As referenced earlier, each country-level TA and advisory program was developed and tailored in close collaboration with the respective country authorities. The scope of the TA and advisory activities undertaken varied widely under the 10-year KTF program period reviewed, with countries requesting more advisory services as their economies grew, to better inform their decision-making. The scope of country-level financial sector development topics11 addressed in the EAP countries, among others, include the following:

* Financial stability
* Strengthening financial sector monitoring, regulation and supervision
* Consumer education
* Crisis simulation exercise
* Capital market development
* Strengthening auditing and accounting
* Improving financial inclusion
* Non-bank financial institution (NBFI) development
* Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) support
* Solvency law reform
* Financial Sector Assessment Program (FSAP) scoping.

The deliverables provided in support of these TA and advisory programs are internally vetted by the Seoul Center and within the World Bank. As the TA and advisory services focused on financial sector development in Phases 1 and 2, country-level counterparties have included central banks, insurance and securities regulators, Ministries of Finance (and Economy in some cases), AML authorities, and so on.

---

1.3. KTF-FUNDED ACTIVITIES LINKED TO WORLD BANK LENDING PROGRAMS

Importantly, during the 10-year period of KTF funding for Phases 1 and 2, TA and advisory activities subject to this assessment provided crucial support for the preparation of financial sector Development Policy Operation (DPO) prior actions and/or key references in a total of 11 World Bank lending programs in 5 countries for about US$2.8 billion, as follows:

**TABLE 1. WB Development Policy Operations Supported by KTF**

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DEVELOPMENT POLICY OPERATIONS</th>
<th>AMOUNT (US$, millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>• Promoting Competitiveness and Enhancing Resilience to Natural Disasters 1 (P170052)</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>• Promoting Competitiveness and Enhancing Resilience to Natural Disasters 2 (P170914)</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>• First Financial Sector Reform Development Policy Financing (P175008)</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td>• Emergency COVID-19 Response (P174120)</td>
<td></td>
</tr>
<tr>
<td>Lao PDR</td>
<td>• Green Resilient Growth DPO2 (P166839)</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>• Financial Sector Safety Net Strengthening Project (P169194)</td>
<td>35</td>
</tr>
<tr>
<td>Indonesia</td>
<td>• Financial Sector Reform and Modernization Development (P145550)</td>
<td>500</td>
</tr>
<tr>
<td>Mongolia</td>
<td>• Strengthening Fiscal and Financial Stability Project (P161048)</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>• Economic Management Support Operations 1 (P162402)</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>• Economic Management Support Operations 2 (P167485)</td>
<td>100</td>
</tr>
<tr>
<td>Myanmar</td>
<td>• Financial Sector Development Project (P154389)</td>
<td>100</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>2,807</td>
</tr>
</tbody>
</table>

Source: Author’s formulation based on data available from the Seoul Center.

In the context of the above World Bank lending operations KTF funding served to leverage the broader World Bank policy dialogue to support preparation of key financial sector reforms. In many instances, the KTF funding was explicitly referenced in the World Bank Project Appraisal Documents for the above lending projects, which served to highlight its catalytic effect for the respective country authorities. This external visibility is noteworthy, as it further raises public awareness of the value added of the Seoul Center KTF facility.
1.4. DONOR COORDINATION

Given that multilateral and bilateral donor involvement in the financial sector reforms across EAP countries varies considerably, regular efforts were made in each country to coordinate among donors. Throughout the TA and/or PASA activities undertaken, the KTF-funded teams proactively reached out to multilateral and bilateral TA providers for coordination and information exchange, among others, on banking, insurance, and capital market sectors, risk management, AML/CFT, governance and, other areas to help the teams gain a better sense of the others partners’ engagements. As a result of country-by-country outreaches undertaken, the potential for overlap in the donors’ financial sector support has been minimized, increasing effectiveness and efficiency.

1.5. OTHER REGIONAL BILATERAL DONOR CENTERS

As comparators, the Seoul Center is but one of a few regional bilateral donor funded centers dedicated to support financial sector modernization and reform. The oldest established center is the Malaysian Islamic Financial Centre (MIFC)12, supported by the Malaysian central bank, capital market, and other domestic financial regulatory authorities. The MIFC is designed to bring together regulatory authorities, professional ancillary service companies (law, tax, audit, and so on) to offer a repository for Islamic finance best practices, education, expertise, and deal flows that may be accessible to interested stakeholders.

More similar to the Seoul Center is the Financial Sector Advisory Center (FinSAC)13, supported by the Austrian Ministry of Finance, which provides tailored country-specific financial sector TA and advisory services to Eastern European financial authorities. However, in contrast to the Seoul Center, most FinSAC TA activities are undertaken by its own staff. FinSAC is more than 10 years old, and like the Seoul Center, is fully demand driven and complementary to ongoing World Bank country-level policy and technical dialogue.

Finally, from country client interviews undertaken as part of this assessment, it is clear that recipient countries have come to value the thoroughness and quality of KTF-funded TA and advisory services provided over the years. Numerous country authorities indicated their appreciation for the many efforts provided through KTF.

12 https://www.mifc.com
CHAPTER 2.

TA/advisory activities concluded between 2012 and 2022

2.1. CAMBODIA

Two KTF-funded TA/advisory activities were concluded during the 10-year review period of this assessment. The project supported the Government of Cambodia’s financial sector reform agenda as outlined in the National Strategic Development Plan (NSDP) 2019–2023 and the Financial Sector Development Strategy (FSDS) 2016–2025.

2.1.1. FINANCIAL SECTOR DEVELOPMENT TECHNICAL ASSISTANCE PROJECT (P160713)\(^\text{14}\)

The main objective of this TA project was to support building a stable and inclusive financial system in Cambodia. In doing so, the KTF-funded team prepared four technical notes on risk-based supervision (RBS), national payment system (NPS) strategy, deposit protection fund (DPF), and quality assurance/quality control structure in the Audit function. The TA identified gaps in the legal and institutional framework and proposed recommendations for improvements in line with international good practices.

Further to this, the team drafted an amendment to the Micro-Insurance Sub-Decree on the enhancement of access to insurance in the micro-insurance industry. The team provided capacity building to officials in the Ministry of Economy and Finance (MEF) (now moved to the Financial Service Authority) and Cambodia Financial Intelligence Unit (CAFIU) to enhance its risk-based supervision in AML/CFT compliance for the casino and real estate sectors. The World Bank provided highly technical legal advice in the drafting of the laws, supported assessment exercises, drafting of the action plans, and capacity building.

The action plan in the Advisory Note on Risk-Based Supervision (RBS) helped inform the National Bank of Cambodia (NBC) in the preparation of its own RBS roadmap: equally, the NBC incorporated recommendations from the NPS Strategy into its development of a Payment System Roadmap. In terms of the NBFI sector, the MEF began implementation of its RBS functions in line with AML/CFT compliance for the casino and real estate sectors.

2.1.2. FINANCIAL SECTOR DEVELOPMENT TA (P171621)

This TA and advisory services program were a follow-up to the first financial sector TA project cited in the previous section and provided support across three pillars: (i) enhancing and maintaining financial stability; (ii) increasing payment system efficiencies to reduce the cost of financial intermediation, and (iii) promoting inclusion and consumer protection.

**Pillar I: Enhancing and maintaining financial stability.** The program delivered training to the MEF (now moved to the Financial Service Authority) officials responsible for supervision of casinos and real estate and the CAFIU on developing and implementing Standard Operating Procedures (SOPs) and related supervision tools and provided hands-on coaching on both off-site and on-site supervision consistent with the international best practice on AML/CFT. The SOPs and supervision tools were developed with KTF support and finalized by the authorities. Moreover,
it is important to emphasize that at the time of the support, a framework to supervise the casinos and real estate for AML/CFT purposes did not exist. Indeed, establishing such a framework was one of the factors that contributed to the Financial Action Task Force (FATF) deciding on February 24, 2023, to remove Cambodia from the Grey List of countries subject to enhanced AML/CFT monitoring. Removal from the Grey List reflects that the country had remedied the structural AML/CFT deficiencies.

**Pillar II: Increasing payment system efficiencies**, wherein several related activities were undertaken with KTF funding:

- The team assessed the NBC (the central bank) Bakong system’s adequacy to process large value payments.

- The team assessed the market for international remittance services, covering transparency and consumer protection, payment system infrastructure, legal and regulatory framework, market structure and competition, and governance and risk management. The report provided the NBC with a review of the remittances market based on the World Bank-Committee on Payments and Market Infrastructures (CPMI) General Principles for International Remittance Services and recommendations for reforms.

- The World Bank team provided the NBC capacity-building training on cybersecurity and how to assess and mitigate cyber risks. In addition, the team provided two assessment reports on risks in the NBC-operated payment systems covering (a) cybersecurity and business continuity and (b) financial and operational risks.

- Further, at the request of the MEF, the World Bank team provided an assessment of payments for the digital economy.

- Finally, the team provided a training on digital financial literacy to the NBC.

**Pillar III: Promoted inclusion and consumer protection** through delivering a study on utilizing (supervisory) technology for the efficient functioning of the motor third party liability insurance (MTPL) market, wherein a high level of digitalization is needed. This strategy paper proposed principles for decision-makers of the future MTPL framework to meet those needs.

In addition to the MTPL framework with risk-based tariff, the paper also recommended establishing a centralized online IT infrastructure with a central database. It describes strategic alternatives for decision-makers that helps facilitate digitization of insurance markets in general that can be replicated for other business lines. The paper provided high-level recommendations on IT infrastructure for the insurance industry in Cambodia. A time-bound IT implementation roadmap was also prepared to introduce such insurance coverage.

As MTPL was only compulsory for commercial vehicles, the Kingdom of Cambodia decided to require MTPL to be compulsory for all types of vehicles. In this context, the establishment of the Guarantee Fund for MTPL was considered critical, as this fund would ensure that the envisioned inclusive protection for the public is attained also in cases where the driver is uninsured, the vehicle causing the accident was not identified (hit-and-run cases) or it was caused by a stolen car (the liability of the vehicle owner is not given), and also if the responding insurer could not pay the claim due to insolvency.

These TA/advisory activities were well aligned with the WBG's CPF and contributed to the CPF Objective 1: Enhance financial sector development and foster private enterprises.
2.2. INDONESIA

2.2.1. CRISIS SIMULATION EXERCISE (P145175)

Through the 10-year assessment period, Indonesia received KTF funding for a single advisory activity which has closed, a comprehensive crisis simulation exercise (CSE) concluded in 2013.\(^{15}\) Simulation exercises have been used for many years in different contexts, such as military ‘war games’, business strategies, and other critical/emergency situations.

Financial sector authorities around the world have become aware of their potential usefulness more recently. These exercises are powerful tools to diagnose what is not working in existing crisis-management arrangements (legal and/or operational framework, information sharing and coordination among relevant agencies, communications with key stakeholders and the public, and so on). They are also particularly useful in providing training (‘learning by doing’) in the use of existing crisis-management arrangements.

The objective of the simulation exercise was to observe how Indonesian authorities responded to (fictional) distress in the financial system, including systemic distress. This also provided an opportunity to explore the adequacy of existing laws, regulations, policies, and procedures. All financial sector regulatory authorities participated in the exercise.

The medium-term objective was to transfer knowledge and capacity to the local authorities to design, develop, and periodically undertake themselves similar simulation exercises. The first stage of the simulation involved the failure of a hypothetical domestic financial group. The second part saw the simulated failure of key components of a hypothetical international group with significant operations in Indonesia.

During the course of the crisis simulation exercise, participants exchanged hundreds of emails and held several face-to-face meetings. Discussions were constructive and simultaneously revealing, as a number of ambiguities or gaps were observed. The authorities were provided a summary of observations and recommendations.

Thereafter, recognizing the need to further modernize their bank resolution framework, the Indonesian financial sector regulatory authorities took a number of key steps to further strengthen their resolution framework:

- Utilizing the framework developed in the CSE, the financial supervisory authorities undertook self-directed annual crisis simulation exercises for six years in a bid to continually improve their readiness.

- Requested the World Bank and the International Monetary Fund (IMF) undertake an FSAP\(^{16}\) to assess the regulatory and supervision regime underpinning the financial system, evaluate the deposit insurance regime, stress-test its banks, and so on.

- Invited the Korea Deposit Insurance Corporation (KDIC) to a three-day conference to undertake an in-depth review of key features of the Korean bank resolution regime, its management of impaired assets and deposit insurance. Several case studies were presented and discussed.

---

15 Subsequently, other KTF-funded TA and/or advisory services have been launched, but none have been concluded by end-2022 and thus were not subject to this impact assessment.

In the longer run, a series of three overarching laws were enacted by Parliament\textsuperscript{17} to empower the authorities to, among others, clarify existing regulatory authorities, resolve failing banks, indemnify persons taking resolution related decisions, and so on.

In sum, the Indonesian CSE can be seen to have contributed to strengthen financial stability. It is one of many building blocks that helped pave the way for enhancing Indonesia’s financial stability, which was further reinforced by the issuance of three key banking laws in 2013, 2020, and 2023. Many steps were undertaken to address regulatory and supervisory ambiguities and strengthen powers necessary to improve the resiliency of the financial sector.

2.3. LAO PDR

Several sets of KTF grant supported TA and advisory activities were launched and concluded in Lao PDR during the 10-year assessment period, as agreed with senior policy makers, and with state-owned financial institutions and other market participants. Furthermore, the broader program was informally discussed with key development partners supporting financial inclusion in Lao PDR to ensure coordination and streamline assistance. A brief summary of each closed project subject to assessment is featured below.

2.3.1. MEKONG: FINANCIAL SECTOR DEVELOPMENT (P159463)

The objective of this small TA project was to support building a stable and inclusive financial system in Cambodia, and Lao PDR. The Cambodia and Lao PDR subtasks provided several capacity-building programs such as trainings, workshops, study visits, and so on, which enhanced the capacity of key stakeholders in both countries especially in the areas of financial stability, financial infrastructures, and so on.

Particular deliverables were an International Financial Reporting Standards (IFRS) Gap Analysis in Lao PDR and a Technical Note on the National Payment System in Cambodia. These respective areas were subsequently addressed in Laos using KTF funding through P160715 (as laid out below) and in Cambodia through P160713, featured earlier in the Cambodia section.

2.3.2. FINANCIAL SECTOR DEVELOPMENT PROGRAM (P160715)

This TA program provided Lao PDR a coordinated, sequenced and comprehensive approach centered around four pillars: (i) Enhancing Financial Stability; (ii) Modernizing Financial Infrastructure; (iii) Upgrading the Legal and Regulatory Framework; and (iv) Delivering JIT Technical Assistance. These interventions produced a significant transformation of the financial system of Lao PDR. Notable implementation successes include the following:

\textbf{Pillar 1: The Bank of the Lao PDR (BoL) published for the first time Financial Soundness Indicators (FSIs) online;} the AML National Risk Assessment (NRA) was completed in August 2018; a Deposit Insurance Core Principles self-assessment was conducted and importantly, a new Deposit Insurance Decree was passed, and, among others, a state-owned-bank reform workshop delivered.

\textbf{Pillar 2: A new Payments Law was passed,} supported by delivery of an IT Roadmap, and a new BoL Payments Department was established.

\textsuperscript{17} (i) Law No.9 of 2016 on the Prevention and Handling of Financial System Crisis, which formally established a Financial System Stability Committee and designated systemically important banks, and so on; (ii) issued a Regulation, subsequently converted into Law No.1 of 2020 on Policies on both Public Finance and Financial System to Manage the 2019 Pandemic and/or Encounter any Threats that Endanger the National Economy and/or Financial Stability; and (iii) most recently, Law No. 4 of 2023 on ‘Developing and Strengthening Financial Sector’ was passed as an omnibus law to further align the financial sector regulatory and supervisory regimes in country.
Pillar 3: Crucially, both a new BoL Law was passed and amendments to the Commercial Banking law was passed; an IFRS Gap Analysis was developed, and its transition plan was accepted by a Ministry of Finance led committee; a new Securities Law was substantially advanced; and a new Bankruptcy Law was drafted for approval.

The integrated approach of this project allowed for a more coordinated, comprehensive and strategic approach focused on capacity building. All activities undertaken included elements geared toward medium-term institution building and capacity building of relevant authorities, and laying the foundation for a stable, efficient and inclusive financial sector in Lao PDR. In sum, this TA and advisory project proved highly relevant—and impactful—to the Lao-tian authorities’ ambitious financial sector reform agenda.

2.3.3. LAO PDR FINANCIAL SECTOR DEVELOPMENT PROGRAM (P171539)

The PASA was a follow-up to the prior program (P160715), which supported the development of a more stable, efficient, and inclusive financial sector in Lao PDR. This was to be achieved through the provision of TA and advisory services to enhance the capability of financial sector authorities to identify and manage risks and upgrade laws and regulations by bringing them into further compliance with key international standards. Given the nascent nature of financial sector modernization and myriad of issues, there was also topical TA which was provided on a JIT basis.

Three pillars of financial sector reform related activities were undertaken through this KTF-funded project, which closed at end-2022, as follows:

- Enhancing financial stability, which focused on support to the implementation of the recently adopted risk-based AML/CFT; developing an Early Warning System (EWS) to better identify emerging banking stresses and supporting the Deposit Protection Office.
- Modernizing the financial infrastructure, through supporting the preparation of a new insolvency or enterprise bankruptcy law to be more in line with international standards.
- Legal and regulatory framework was enhanced through supporting the development of an Early Intervention and Resolution regulation to better enable the BoL to act to mitigate the potential impact of problem banks.

Together with the EWS (under Pillar 1, above) the BoL’s capacity and legal authorities to manage emerging problems in the banking sector was improved. Moreover, creditors’ rights and responsibilities were modernized and made more transparent through the Enterprise Bankruptcy Law reforms enacted.

Cumulatively, the TA delivered proved especially impactful to enhance the Laotian authorities legal and regulatory powers to identify and mitigate emerging financial sector risks and enabled the inclusion of two financial sector prior actions in the Green Growth DPO II (P166839), the online publication of FSIs and passage of the new BoL law.

2.4. MONGOLIA

Mongolia benefited from four sets of KTF grant supported TA and advisory services concluded during the 10-year period subject to this assessment. Banking sector soundness is critical in Mongolia given its dominance in the financial system and the lessons learned from the 2008–2009 crisis. The central bank, the Bank of Mongolia (BoM) developed and implemented a number of measures to strengthen prudential regulation and supervision, in cooperation with the IMF. However, further steps are needed to strengthen safety buffers of the banking system in light of continued assets quality deterioration.

Legislative changes to the Banking Law were needed in various areas to ensure BoM has sufficient broad powers for early intervention and protect the integrity of resolution decisions from ex ante judicial reviews. In addition, the legal
document for the establishment and operations of the Financial Stability Council (FSC) does not clearly identify the entities that are responsible for macro-prudential policies. The legal basis for FSC recommendations and decisions did not have the same legal statute as the budget laws and the central bank law, weakening the accountability mechanism.

In brief, the services provided were broad and deep as the country strived to modernize its banking and capital market sectors. The key activities are laid out below:

2.4.1. POLICY FRAMEWORK FOR STATE OWNED FINANCIAL INSTITUTIONS (SFIS) AND SOES (P160024)

The objectives of this TA and advisory activity were to help the Government of Mongolia (GoM) revise the charter and undertake an independent assessment of the quality of assets of the Development Bank of Mongolia (DBM), its operations, and governance structure.

As a background, in 2013–2016, the DBM’s off-budget operations were a major driver of Mongolia’s fiscal expansion. Without stricter control and oversight over the DBM’s operations, the DBM could again engage in quasi-fiscal activities. Consequently, the government was obliged to adopt a set of reform actions on the DBM. Given the importance of the DBM’s financial status to Mongolia’s macroeconomic stability and financial sector stability, it was crucial that the government subjected the DBM’s assets, off-balance-sheet transactions and ability to generate income and maintain sufficient capital to an in-depth financial diagnostic (comprehensive external review).

The World Bank team advised the DBM team on drafting the terms of reference for this work. The completion of this review and the following design of the DBM’s reform agenda were prior actions for the World Bank’s Development Policy Loan to the government. This review served as the basis for the development of a comprehensive reform program to strengthen DBM’s financial soundness, further improve the DBM’s management and operational structure toward a more independent, profitable, and financially sound development bank.

Following the disclosure of the report, a government working group began preparation of a comprehensive reform program based on the findings of the special review. The measures adopted included ending DBM’s non-commercial lending to the government in 2017, supporting preparation of amendments to the development bank law to transform the DBM into a self-sustainable development bank, targeting only commercially viable activities. The DBM law was revised in 2015 and again in 2016, and the new DBM charter was approved in 2017.

As an epilogue, the Mongolian government remains the sole shareholder and the Ministry of Finance chairs the bank’s board. Importantly, the bank is subject to regulations under a specific law, rather than the central bank law and regulations applicable to commercial banks. As such, DBM has retained a specific mandate to finance activities in sectors that support the economy, in accord with the Development Bank of Mongolia Act.

2.4.2. CAPITAL MARKET DEVELOPMENT (P146172)

The objective of this TA was to support the Mongolian authorities to further develop its capital markets in the following areas: (i) develop an implementation plan that prioritizes and sequences the necessary development initiatives for the capital markets; (ii) strengthen supervisory and enforcement effectiveness of the Financial Regulatory Commission (FRC); (iii) improve the efficiency of supervisory and regulatory framework for the securities market; and (iv) enhance the institutional development of the FRC.

This TA contributed toward the development of the Capital Markets Development Strategy (CMDS) and a supporting Implementation Plan; developed a number of implementing regulations following the coming into force of the Securities Markets Law and Investment Funds Law; developed a risk-based supervisory framework for the securities market; delivered training to various agencies (FRC, Ministry of Finance; Mongolia Stock Exchange and Securities Clearing and Depository Corporation) and drafted inspection and enforcement manuals and several working papers for the FRC to support growth of the nascent capital market in Mongolia.

18 https://www.dbm.mn
2.4.3. FINANCIAL SECTOR DEVELOPMENT SUPPORT (P157826)

The overall objective of this broad TA and advisory program or PASA (including subtasks) was to support the development of a more sound, diversified, and inclusive financial system for Mongolia. The key results achieved under this PASA include the following:

- Supporting amendments to the banking law and deposit insurance law to improve risk management and strengthen the roles of banking supervisors, thereby helping to improve the financial stability in Mongolia.

- Deposit insurance strengthening: the KTF project developed procedures for payout and a number of rules were put in place for the selection of a paying agent bank, a grievance procedure for depositors dissatisfied with payout on their insured accounts after a bank failure and the public dissemination of information by the Deposit Insurance Corporation of Mongolia (DICOM) after a bank failure.

There was significant progress by DICOM in preparing itself for a deposit insurance payout. It also proposed recordkeeping requirements at member institutions that will assist it in future payouts and has adopted a rule governing its communication with the public after a bank failure. Also, the target fund ratio calculation model was prepared. Funding and repurchase agreements have been drafted or agreed between DICOM, Ministry of Finance (MoF), and BoM.

- Insurance: Reviewed and updated the RBS strategy and the supporting manual for the insurance sector; advice on bancassurance, more advanced valuation methods for reserves, new accounting standards, reinsurance, and pension.

- Securities market: Extensive training was provided on market surveillance to be conducted by the FRC. In addition, two experts from Korea Securities Depository provided a five-day technical assistance to the Mongolian Securities Clearing Center (MSCC) in April 2017 to assess the current challenges and shared lessons from Korea.

- Restructuring of Housing Mortgage Program: With Advisory Services Analytics (ASA) support, the GoM tightened the borrower eligibility criteria and property criteria, started quantifying portfolio risks, and increased private sector bail-in via blended funding. The restructured program resulted in limited new mortgage financing in the market, but the extension of the mortgage will target some of the low-income household groups including first-time buyers and households moving from ‘ger’ districts to apartments in urban areas.

- Payment systems: With the support of the KTF funding, the World Bank advanced the Mongolian Payment Systems reform agenda in line with the BoM National Payment System Strategy 2015–2020. Having achieved high levels of bank account penetration, Mongolia focused on modernizing the payment systems infrastructure, strengthening the legal and regulatory framework, and strengthening the capacity of the BoM as overseer of the NPS.

- Insolvency reform: The project implemented a comprehensive insolvency reform rather than piecemeal amendments to the legislation. One of the key factors that helped the government enhance their approach on the insolvency reform was the successful study visit made to Korea in May 2019 to learn about the Korean insolvency resolution framework, that included meetings with relevant Korean champions in the insolvency practice such as the Ministry of Justice of Korea, Seoul Bankruptcy Court, and Judicial Research and Training Institute. The study visit helped the law drafting working group to improve key provisions of the draft insolvency law, particularly in the areas of restructuring of businesses and the role of insolvency administrators. The World Bank team assisted the drafting of a completely new version of the law, the Mongolia Insolvency Law, which is slated for submission to Parliament in the first half of 2023.

---

19 DICOM participated with BoM in April 2019 in the payment of insured deposits at the former Capital Bank through a paying agent bank.
• Strengthening the Independent Authority Against Corruption (IAAC) agency through supporting a more complete asset declaration and conflict of interest system. KTF funding delivered capacity-building workshops to law enforcement practitioners strengthening their financial investigation skills and ability to request and obtain mutual legal assistance. Supported the drafting of an investigation manual and mutual legal assistance guidance.

• Financial literacy: The team provided substantial support in the drafting the text for BoM’s financial capability website which was launched in April 2017.20 Following the implementation of an in-depth needs assessment, the team helped develop financial education materials for rural dwellers who rely on face-to-face learning materials complemented by radio programs; furthermore, the team delivered a ‘training of trainer’ workshop to strengthen the capacity of 28 trainers of the lifelong learning center to effectively deliver this financial education program.

2.4.4. MONGOLIA FINANCIAL SECTOR SUPPORT (P173584)

The objective of this broad PASA program was to support the Mongolian authorities to further improve financial sector stability through strengthening the central bank’s ability to monitor developments in the banking sector, including identifying early signs of growing stress. In addition to which, the KTF-supported team provided TA and advice to the BoM on (i) addressing banking sector weaknesses; (ii) AML/CFT deficiencies; (iii) further strengthening of the financial safety net via DICOM; (iv) fostering innovation in payments; (v) further reform of the subsidized mortgage program and securitization legal framework, and (vi) supporting the reform of the DBM.

The country team realized some positive outcomes from this program that included the following:

To strengthen BoM’s capacities to monitor banking sector developments and make meaningful comparisons across banks, the team developed a methodology and reporting template to benchmark the prudential data and supervisory ratings across the banking population. For the sake of comparability, all the individual reports now have the same structure.

Regarding AML/CFT, the KTF-funded team provided support to the GoM to undertake its National Risk Assessment (NRA) on Money Laundering and Terrorism Financing. However, Mongolia was subsequently included in the list of jurisdictions with strategic AML/CFT deficiencies or so-called ‘Grey List’ by the FATF in October 2019. The World Bank team then provided further technical assistance to conduct the Second NRA, which contributed to a significant achievement, namely, Mongolia was removed from the FATF Grey List in October 2020.

Regarding DICOM, numerous virtual workshops were delivered by the team to support the operations of the deposit insurance authority. In parallel, specific TA and advisory tasks were undertaken on the development of a ‘target ratio’ funding model and asset resolution related issues.

A set of three policy notes were provided to the GoM in response to fostering innovation. These were (i) Institutional and Structural Reforms for a Stronger and More Inclusive Recovery; (ii) Toward Sustainable Management of Natural and Built Capital for a Greener, Diversified, and Resilient Economy; and (iii) Human Development in Mongolia.

Through the KTF, the World Bank has continued to support the BoM on payment systems reforms. The team delivered a draft National Payment System Strategy 2022–2026 to the BoM. The Strategy was developed around three components: (i) strong institutional framework for payments, clearing and settlement; (ii) efficient and resilient payment and settlement infrastructure in Mongolia; and (iii) universal adoption of digital payment instruments and services.

The World Bank task team engaged with Mongolian counterparts, primarily the Ministry of Construction and Urban Development (MCUD), Ministry of Finance and Economy, and BoM on housing system problem areas.
The aim is to contribute to greater efficiency, fiscal sustainability, and targeting of government long-standing housing finance support. The MCUD was informed about the shortcomings in the existing mortgage scheme and advised on how to better target beneficiaries, redesign the subsidy mechanics; make better use of the capital market resources and improve the legal framework.

Building on the earlier services provided, the DBM requested KTF support to accelerate the bank's reform efforts. A top priority was the review of the 2017 DBM law to close remaining corporate governance gaps. The DBM also sought TA support for organizational reforms, to improve its asset quality and complete a structural transformation, as the DBM aims to better align itself with the opportunity presented by the recently announced GoM ‘New Recovery Policy’, a 10-year COVID-19 economic recovery plan that includes priority activities that DBM could contribute transaction structuring analysis and advice to determine the appropriate financing structures to be followed by the government and DBM.

In sum, the TA and advisory services provided to the Mongolian authorities can be seen as impactful across the financial sector. As seen from a financial system development perspective, these four closed activities assessed built on the policy framework adopted by the government as well as the WBG CPF.

**2.5. MYANMAR**

Myanmar began its economic and political transition with some of the lowest levels of penetration of financial services in the world, with domestic credit to gross domestic product (GDP) at 4.7 percent—the lowest of all 159 countries with available data in 2010. Financial inclusion was a key priority in Myanmar's development agenda. The Government of Myanmar had formulated a Financial Inclusion Roadmap 2014–2020 that aimed at increasing the percentage of adults with access to basic financial services from 30 percent in 2015 to 40 percent by 2020.

The overarching objective of the four KTF grant supported TA programs concluded during the assessment review period was to help increase access to financial services by the poor in Myanmar to better enable local financial institutions to offer new savings and deposit accounts; grant credit to smallholder farmers and micro, small and medium enterprises (MSMEs); leverage digital finance to serve the financial needs of the poor; and enhance the capability of financial sector authorities to identify and manage risks.

**2.5.1. SCALING UP FINANCIAL SERVICES FOR THE POOR (P153898) AND STRENGTHENING AUDITING AND ACCOUNTING (P156868)**

This comprehensive TA and advisory services initiative was organized around four pillars, as laid out below:

**Pillar 1: Modernization of the Central Bank of Myanmar**

- The TA and advisory services informed the Central Bank of Myanmar (CBM) with regard to the development of new prudential regulations and their implementation, review of insurance business law and supervisory regulations on microfinance, and their implementation. TA was provided to assist the CBM on the policy, drafting, dissemination and dialogues on the Financial Institutions Law and enabling regulations.

- The TA funded by the KTF included assisting the CBM to issue 6 directives on reissuance of licenses and 13 prudential regulations/directives. Concurrently, ongoing advice on several policy issues was provided to CBM on the implementation of the Financial Institutions Law, including on financial consumer protection, oversight of payment system and mobile financial services.

---

• Support was provided to issue new regulations which aimed for liberalization in the microfinance sector combined with a continued effort to enhance supervision. The regulations also paved the way for increasing minimum capital for microfinance institutions.

• Five-year draft developmental plan for insurance regulatory and supervisory approach was developed with KTF support, as was intensive capacity building for the insurance supervisor. Several Association of South East Asian Nations (ASEAN) insurance regulators were brought to Myanmar to share their experiences. A Liberalization Roadmap for participation of foreign insurance intermediaries was developed and submitted for consideration.

• To further enhance financial stability, the framework for financial stability underpinning the central bank’s capacity to ensure risk of banking instability is adequately managed was reviewed. Key recommendations were offered, among others, for (i) a revised framework for prompt and corrective actions by the central bank; (ii) developing a framework for the resolution of financially stressed banks; (iii) strengthening corporate governance of banks; (iv) strengthening disclosures requirements for banks; and (v) providing capacity building for CBM supervisory staff in implementing these frameworks.

• Also, under this pillar, TA was provided to support the CBM in (i) drafting a National Payment Systems Strategy; (ii) drafting the business plan and curriculum for the financial sector training center; (iii) training payment system staff.

Pillar 2: Promoting Financial Institutions Reform and Development

This pillar focused on providing policy advice regarding the governance of public banks. A series of training sessions on the governance and monitoring framework by the Ministry of Planning and Finance (MOPF) as owner of the state-owned banks was organized. To support this important change, a new governance framework was submitted to the Financial Regulatory Department (FRD) of the Ministry of Investment and Foreign Economic Relations and the MOPF to subsequently define the specific roles and responsibilities of MOPF, FRD, and CBM.

Experiences from Organisation for Economic Co-operation and Development (OECD) and Asian countries were reviewed on how these countries approached State Owned Bank/State Owned Enterprise (SOB/SOE) reforms and how these countries have organized the state’s ownership role. There was extensive engagement with the regulatory authorities and the Parliamentary Committee for Banking and Monetary Affairs to update them on the proposed ownership framework and the related issues.

Over 2016/2017, capacity-building sessions were provided to the FRD, which was tasked to monitor and oversee the SOBs. In addition to this, KTF-funded TA was provided to the MOPF to assist it in conducting special diagnostics for the four SOBs and a planned merger of two of these banks.

Pillar 3: Expanding the Depth of the Financial Sector and Promoting Responsible Finance

A time-bound roadmap for liberalization of the insurance sector was authored and a new set of insurance financial reporting requirements and templates were developed. Also, KTF funding was utilized to provide an analysis of the informal financial sector to inform policy ideas to increase financial inclusion in the formal financial sector.

Pillar 4: Strengthening Auditing and Accounting

This separate KTF grant supported TA to offer an initial comprehensive approach to strengthening the legal, statutory and regulatory environment of Accounting and Auditing (A&A) in Myanmar. The key deliverables included (i) providing an initial roadmap that to bring key government stakeholders and development partners around a common platform and build ownership and commitment toward the necessary policy reforms, (ii) a policy note for the financial sector to inform the planned lending operation, and (iii) a draft Reports on the Observance of Standards and Codes (ROSC) A&A assessment.

22 During the assessment review period, ownership of the four SOBs was centralized in MOPF.
Owing to the broad nature of A&A reforms, an ad hoc steering committee was established to review the findings and recommendation of the notes and reports prepared. Members of the steering committee included representatives of Myanmar Accountancy Council, Myanmar Institute of Certified Public Accountants, Financial Institutions Supervision Department of the Central Bank of Myanmar, Financial Regulation Department—Ministry of Finance, Securities and Exchange Commission, Chamber of Commerce—Union of Myanmar Federation of Chambers of Commerce and Industry, Directorate of Investment and Company Administration, and the Myanmar Business Forum.

2.5.3. MODERNIZING PAYMENT SYSTEMS (P158030)

The overall objective of this project was to help increase access to financial services by the poor in Myanmar. This was advanced through the provision of technical assistance and advisory services to enable local financial institutions to offer new savings and deposit accounts; grant credit to smallholder farmers and MSMEs; leverage digital finance to serve the financial needs of the poor; and enhance the capability of financial sector authorities to identify and manage risks.

Key outputs delivered under this project included the following:

• Prepared a policy note on the national payment switch and Myanmar Payment Union (MPU) and shared some options for the CBM in consideration of reforming the MPU.

• Completed the assessment of CBM-NET—CBM’s large value funds transfer system against standard features expected in a Real-Time Gross Settlement (RTGS)—for the central bank to understand the gaps and take the next steps.

• Delivered one capacity-building session for the banking community in Myanmar on NPS development, global trends, and so on.

• Provided a policy note to CBM on Check Clearing in Myanmar that recommended check clearing based on electronic payment instruments to promote efficiency and leverage existing infrastructure.

In sum, this set of TA and advisory activities were widely seen as catalytic to begin modernizing the financial sector legal framework in Myanmar. Based on the 2021 World Bank Global Findex data, the percentage of adults with access to basic financial services in Myanmar rose to 47.79 percent, well above the 40 percent goal established through the 2014–2020 Financial Inclusion Roadmap cited earlier. As the country opened up to foreign investment early in the assessment period, Myanmar benefitted from several sets of KTF-funded TA and advisory activities, which together addressed comprehensively reforms at many dimensions of the nascent financial sector in country.

However, immediately following the military coup in early 2021, all World Bank disbursements were paused in accordance with OP/BP 7.30, and preparation of new lending operations and existing TA activities were halted. As a consequence, the assessment under OP 7.30 cannot be completed given limited engagement with military authorities and the fluid and volatile situation in the country. The assessment will be completed as circumstances allow.

24 https://web.worldbank.org/archive/website01541/WEB/0__C-164.HTM
2.6. PAPUA NEW GUINEA

2.6.1. TA TO THE IMPLEMENTATION OF PNG FINANCIAL COMPETENCY SURVEY (P145131)

A single, narrowly focused KTF-funded set of TA and advisory activities were undertaken in Papua New Guinea (PNG) during the 10-year assessment period. The objective was to assist the Bank of Papua New Guinea (BPNG or the central bank) to develop and implement a national survey to better gauge the financial capability of PNG population, which would provide a baseline for better understanding the populaces’ decision-making on money management, financial planning habits, and access to different types of formal and informal financial services in PNG.

Extensive knowledge transfer activities were delivered through development of the survey instrument, pilot testing of questionnaire and stakeholder consultation workshops. International practices and lessons learned were shared with BPNG and local consulting teams and adapted during implementation. With the national sample and the survey instrument developed, tested, and translated, and the local survey team trained, BPNG has the necessary capacity to continue other regional surveys using the same survey instrument and methods.

The survey results provided useful inputs to the development and implementation of financial inclusion strategy and programs. However, due to high logistic costs for conducting field surveys in remote parts of PNG, in agreement with the BPNG, the Project Steering Committee data collection and analysis focused on Madang and Morobe provinces for the first phase. BPNG received additional funding to complete surveys in two other provinces, from which the first Financial Inclusion Strategy was published by the BPNG. 25

The survey findings also provided inputs to financial inclusion policy development, for example, the need to integrate financial education into formal curricula for school children, and to develop designated training programs for women and household’s leaders, especially those in rural area. A key action item in the financial inclusion strategy, the testing of digital IDs for banking sector, was successfully undertaken and launched. Going forward, the new digital IDs can significantly reduce the Know Your Customer (KYC) compliance costs and facilitate individuals to build up their credits and access to financial services.

The BPNG remains committed to advancing financial inclusion. In close collaboration with a local nongovernmental organization (NGO), annual financial inclusion benchmarking exercise 26 have been subsequently undertaken, strengthening the BPNG’s capacity and understanding, underscoring its abiding interest to advance financial inclusion.

2.7. THE PHILIPPINES

Three broad sets of TA and/or advisory activities were concluded from 2014 to 2022, focusing mainly on providing support for financial inclusion within the National Strategy for Financial Inclusion (NSFI), identifying measures to strengthen financial stability, payment systems development, AML, public credit guarantee schemes, and so on. All the TA and/or advisory services were developed before COVID, which affected the implementation of the third set of activities. A brief profile of each set of activities is featured below:

26 https://www.thecefi.org/annual-benchmark-reports
2.7.1. NATIONAL STRATEGY FOR FINANCIAL INCLUSION (P162771)

The objective of this TA project was twofold: (i) support the implementation of the NSFI and (ii) enhance the institutional framework for financial system stability and soundness. The Bangko Sentral ng Pilipinas (BSP) or the Philippine central bank was designated as the secretariat for the implementation of the NSFI adopted by 13 government agencies. The BSP requested World Bank support in the design and implementation of the overall results framework and monitoring mechanism and data management system for NSFI implementation.

Four sets of deliverables were provided in 2017:

1. Brief diagnostic and options for enhanced supervision of the cooperative sector
2. Philippines: MSME Finance Eco System
3. Considerations for Reform of SME Credit Guarantee Instruments in the Philippines
4. Agriculture finance in the Philippines: Selected Inputs for policy discussions.

The above four notes were provided to primarily support better design and implementation of the NSFI. These were intended to inform and stimulate the policy dialogue with the counterparts and relevant stakeholders in the Philippines financial inclusion space.

2.7.2. FINANCIAL DEVELOPMENT AND INCLUSION (P157969)

This subsequent PASA brought the best practices on a financial inclusion monitoring tool to support the implementation of the Philippine NSFI, integrate partial credit guarantee (PCG) schemes and payment systems regulation and oversight. The World Bank provided JIT technical assistance on the payment system regulatory framework to support BSP in preparing for an implementing regulation for the new National Payment System Act and to the Philippine Deposit Insurance Corporation (PDIC) relating to their strategy for disposal of repossessed assets.

The delivery of partial credit guarantee to the Guarantee Consolidation in Philippines informed the Executive Order on the merger of credit guarantee institutions to create the Phil Guarantee (Executive Order 58 of 2018). The team also discussed potential support for the consolidation of the credit guarantees in the Philippines approved by the President of the Philippines in the second half of 2018.

The BSP has set the target of achieving 20 percent of total payment transactions through electronic means. With the new National Payment System Act, the BSP is empowered to oversee the payment system to promote the use of electronic payments. A JIT assistance on payment systems regulatory and oversight frameworks was delivered to support the BSP’s preparation for an implementing regulation for the new National Payment System Law and support the newly created BSP department on payment systems oversight.

In regard to strengthening financial stability, the advisory services provided contributions to regional and the Philippines economic updates, inputs and dialogue on enhancement of the Anti-Money Laundering Act and inputs on the Islamic finance bill. Additionally, continuing dialogue on financial sector development and a need for a sector strategy led to the workshop on the FSAP in the second half of 2018, which involved all agencies in the Financial Sector Forum27 and the IMF.

As a consequence of this workshop, the Philippines authorities made an official request to undertake a full FSAP for the first time since 2009. The FSAP undertaken in 2019 and 2020 provided a comprehensive series of time-bound

27 The Financial Sector Forum (FSF) was established in 2004 by the heads of the BSP, the Securities and Exchange Commission, the Insurance Commission and the Philippines Deposit Insurance Corporation (PDIC) to provide an institutional framework for coordinating the supervision and regulation of the financial system. It has a specific mandate to exchange information and to coordinate the regulatory and supervisory policies of its members.
recommendations to further strengthen (i) resiliency, integrity, and effectiveness of the banking sector and (ii) broadening and deepening markets and services. The findings of which have strengthened the policy dialogue and served to spur the adoption of further reform measures and additional DPO lending.

2.7.3. FINANCIAL SECTOR DEVELOPMENT (P169362)

This PASA is the broadest project completed subject to assessment in the Philippines. The objectives of these activities were to build capacity of the financial sector authorities and stakeholders to develop a financial sector roadmap and implement policy and regulatory reforms to advance a stable, inclusive, and innovative financial sector in the Philippines.

Building upon the earlier understandings, three sets of advisory and analytic services focused on specific areas of constraints in advancing the financial sector development and to further promoting financial inclusion through the following sets of activities:

**Pillar I:** Capacity Building and JIT Technical Assistance supported the government and stakeholders with advisory services and capacity building in payment systems reform to improve the legal, regulatory, supervisory, and oversight framework and build reform implementation.

**Pillar II:** Strategic reform development and implementation. These activities supported the government's efforts to develop mid- and long-term strategic vision for financial sector development by providing analytical work and advisory to the members of the Financial Sector Forum.

**Pillar III:** Disaster Risk Financing (DRF) Reform. This pillar supported the government to support reforms that would also help achieve key policy triggers on DRF under a new Development Policy Loan (Promoting competitiveness and enhancing resilience to natural disasters - P170052), building on the recent project (Philippine Disaster Risk Financing - P153215).

Activities supported the Government of the Philippines financial authorities and stakeholders to address short- and mid-term uncertainties in the financial sector, develop knowledge to address payment system and related infrastructure and inclusion challenges, and initiated the process of developing a long-term strategic vision and roadmap to build upon the recommendations from the (then forthcoming) joint World Bank/IMF FSAP and other analytical work.

During the PASA period, new JIT technical assistance was provided - the Credit Reporting System reform, AML/CFT (risk-based supervision, virtual asset workshop). Other requests for the next PASA include (i) urgent support to AML Council on improving the AML/CFT regime based on the 2019 Philippines AML/CFT assessment and subsequent review by the FATF - the AML/CFT standard setter; (ii) building consumer protection framework and market conduct requirements for implementation of a Financial Consumer Protection bill; (iii) capacity building of PhilGuarantee, the government PCG scheme for firms; and (iv) Insurance commission capacity building on market conduct supervision. The above analytic and advisory work under this and prior PASAs helped inform preparation of a new national financial sector development strategy.

In sum, the KTF-funded TA and advisory services delivered in the Philippines during the 10-year assessment period helped considerably to strengthen the authorities’ capacity to identify, assess, and mitigate risks arising from threats to financial stability. Moreover, KTF funding proved instrumental to leverage the TA and advisory services for the development of many financial sector prior actions underpinning four Development Policy Loans to the Government of the Philippines totaling US$1.9 billion.

---


29 The DRF subtask was moved from this PASA to a new Financial Sector PASA for the continuation of its activities.

2.8. VIETNAM

2.8.1. CAPITAL MARKETS AND NBFI DEVELOPMENT (P162226)

A single Vietnam KTF grant supported TA and advisory project concluded during the 10-year review period. The project strengthened the regulatory environment, oversight and supervisory function of the authorities, and enhanced capacity of the public pension fund as one of key players on the capital market and deepened capital markets through support, among others, to (i) the insurance sub-sector, (ii) public and private pensions development, (iii) the government bond market, and (iv) the securities market.

The TA for the Insurance Supervisory Authority (ISA) of the Ministry of Finance of Vietnam completed a review of the current insurance supervisory framework and drew from examples from international experience and approaches for risk-based supervision to inform ISA’s future approach for supervision. A review of international experience on IT system development for supervisory purposes and detailed recommendations for IT system design was developed with the ISA.

The TA supported further development of the private pension market in Vietnam and helped ensure the safe and productive investment of pension assets in the country by establishing a rigorous regulatory and supervisory framework for the private pensions market. Services were provided to the Government of Vietnam (GoV) in the areas of (i) assessment of the Vietnam Social Security Fund (VSS) fund liabilities, (ii) improvement of the VSS’s investment strategy and operations, and (iii) development of private pensions.

With regard to developing the government bond market, this TA (i) supported the MoF to prepare the next phase of the implementation of Vietnam Bond Market Development Roadmap; (ii) strengthened the legal framework for the government bond market to enable a better functioning and more liquid government bond market and to make borrowings by the government more market-based and transparent through the bond market; (iii) developed policies to increase demand and broaden the investor base for government bonds; (iv) developed policies to improve supply and support the development of new, relevant bond products that cater to the needs of institutional investors; and (v) developed policy proposals to improve the secondary market operation.

To strengthen securities market oversight, the KTF-funded advisory activities provided advice to the State Securities Commission (SSC) of Vietnam to review the draft revisions of the Securities Market Law. In addition, the project produced technical notes analyzing some areas of securities market to inform Vietnamese policy makers (in relation to the Law revision), among others, on (i) public companies and (ii) governance of the securities exchanges.

These technical notes were also used as materials for capacity building work for SSC staff. This capacity building component of the project delivered four supervisory modules: (i) supervision of securities intermediaries; (ii) supervision of public companies; (iii) market supervision and supervision of Exchanges; and (iv) inspection and investigation - delivered through training, workshops, reports and technical advice.

In addition to the Capital Market and NBFI program, the KTF also supported the first NRA of Vietnam from 2016 to 2018 though the NRA related grant managed separately. This supplemented the other TA provided. A working group comprising all relevant stakeholders from the public and private sectors was responsible for collecting and analyzing data using the World Bank NRA tool. The risk assessment analyzed information and data related to criminal proceeds generating activities that pose a money laundering threat to Vietnam and assessing the vulnerabilities of channel sectors through which criminal proceeds can be transmitted. The World Bank team reviewed and provided comments on the draft report and action plan with respect to the quality, consistency, and reasonableness of the assessment findings. The report was endorsed by the GoV in 2019.
CHAPTER 3.

Durable country-level outcomes realized

A substantial number of durable outcomes were realized across the 15 KTF grant-supported activities in EAP that were concluded by end 2022 and assessed for this report. In the context of this assessment, in those countries where new banking, insurance, payment system, and/or securities laws were formally passed by national legislative bodies, these legal changes or outcomes can be assessed as durable outcomes, not subject to be readily undermined or reversed.

Implementing regulations issued thereafter, which KTF supported in a number of countries gave force to these new laws or amendments, and thus is considered as reasonably durable, given that regulated financial entities and local stakeholders alike rely upon such and normally have the opportunity to voice concerns if changes were subsequently considered.

Other types of outcomes are more difficult to quantify, but can be widely seen at an institutional level, for example, through the many KTF project training and advisory efforts to introduce modern supervisory practices and regulatory reforms to banking, securities, AML, and insurance sector authorities. The TA and advisory services, or PASAs considerably informed the authorities on how to implement new understandings, international standards, and best practices, as did the number of Korean institutional visits hosted on how to improve and implement their respective mandates.

In sum, the KTF grant funded activities helped considerably to inculcate many best practice financial sector regulatory and supervisory standards in EAP countries. Moreover, different parts of each country-level KTF-funded PASA program reinforce each other, as the varied inputs and experiences feed into increasing the knowledge base of the respective country counterparts, which can be translated over time into more informed views toward strengthening financial systems and oversight. The lasting impact of such exposures, especially when delivered sequentially over time through a PASA, cannot be underestimated.

In particular, the impact assessment identified the following key durable outcomes realized from the KTF grant-supported TA and advisory services provided in the countries evaluated:

### 3.1. INDONESIA

Drawing from the findings of the CSE undertaken, with significant inputs subsequently provided by KTF-funded banking law specialists, Parliament enacted three key financial sector laws to empower the authorities to, among others, clarify existing regulatory authorities’ roles and responsibilities in support of financial stability, enhance bank resolution powers, and indemnify persons taking resolution related decisions, and so on.

- Law No.9 of 2016 on the Prevention and Handling of Financial System Crisis, which formally established a Financial System Stability Committee and designated systemically important banks, and so on;

- Issued a Regulation, subsequently converted into Law No.1 of 2020 on Policies on both Public Finance and Financial System to Manage the 2019 Pandemic and/or Encounter any Threats that Endanger the National Economy and/or Financial Stability;
3.2. LAO PDR

There are several sets of key outcomes arising from the KTF grant supported activities provided to the Bank of Lao, which dramatically strengthened the legal and regulatory authorities of the central bank:

The central bank law was amended, adding several key measures to strengthen financial stability, namely,

- Article 48 now allows for a BoL guarantee for financial institutions on FX borrowing upon approval of the Government of Lao PDR, but no criteria is explicitly provided. However, Article 48 clearly states that the “terms, procedures and methods of guarantee are set out in separate regulation.”

- Article 49 of the BoL Law restricts fiscal deficit financing by BoL by explicitly stating that the BoL may lend to the government no higher than 20 percent of the annual state budget income such that it is in compliance with the public debt ratio as approved by the National Assembly and such lending is approved by the Prime Minister.

- Articles 63, 64, and 65 provides ensures auditing of BoL accounts under a new set of guidelines, which adheres to IFRS for central banks.

- Additionally, Article 71 allows for the State Audit Authority to audit BoL’s accounts according to the IFRS.

Lastly, the amended BoL Law is certainly an improvement over its predecessor in terms of including an early intervention and bank resolution framework, Emergency Lending Arrangement (ELA), Lender of Last Resort and bail out. It also limits BoL lending, by providing conditions under which lending by BoL to the financial sector may be undertaken.

Further to this, a Decree on Deposit Protection was issued to strengthen the DPO’s mandate to undertake many of the reforms needed to comply with the International Association of Deposit Insurers (IADI) principles. Crucially, the DPO entered into a back-up funding arrangement with the MoF, an MoU with the BoL to enable it to analyze deposits and financial data so as to better fulfil its legal mandate. Regulations and procedures were put in place in the event of a deposit payout.

As regards AML/CFT, with KTF support Lao PDR completed an NRA and stakeholders were offered training to minimize risks thereof. The authorities have subsequently sought additional trainings to reinforce and complement what has been provided to date.

The Commercial Banking Law was amended utilizing KTF funding to address a wide range of issues to better align the Law on Commercial Banks with international standards and best practices, for example:

- Expanded to include foreign branches, extended supervisory powers for bank supervision to be done on a consolidated basis.

- Increased five-fold the minimum registered capital for banks from LAK 100 billion (approximately US$11.5 million) to LAK 500 billion (approximately US$58 million), while the minimum registered capital for Lao branches of foreign commercial banks was raised from LAK 50 billion (approximately US$5.8 million) to LAK 300 billion (approximately US$34.5 million).
Also, a number of key corporate governance enhancing measures were put in place through amendments to the Law regarding appointments and dismissal of commercial bank executives, requirements for shareholder meeting and financial reporting, and so on.

The regular publication of core FSIs by the BoL strengthens financial stability by increasing the opportunity of stakeholders to better monitor and assess the health of the financial sector. Over time, doing so has markedly improved transparency of the banking sector.

Finally, KTF grant supported funding was utilized to support the preparation of a new Bankruptcy Law, which introduced several new concepts to the Laotian debt recovery regime, and ultimately will improve banks’ ability to recover in the event of default and MSMEs’ ability to recover early on in a situation of financial distress. Ongoing KTF-funded TA is supporting preparation of additional implementing regulations.

3.3. MONGOLA

In response to the authorities’ request, KTF funded a series of measures adopted in Mongolia to strengthen (i) the transparency, governance, and solvency of the public-owned bank; (ii) development of the nascent capital market; and (iii) development of a more sound, diversified, and inclusive financial system and help introduce insolvency regime. Key outcomes realized include the following:

- Measures adopted included ending the DBM’s non-commercial lending to the government, supporting preparation of amendments to the development bank law to transform the DBM into a self-sustainable development bank - targeting only commercially viable activities. The DBM law was revised and the DBM charter was approved by the government.

- Supporting amendments to the banking law and deposit insurance law to improve risk management and strengthen the roles of banking supervisors, thereby helping improve the financial stability in Mongolia.

- Supported the GoM’s efforts to undertake reforms to help address findings of the NRA for AML/CFT, which contributed to a significant achievement, namely, Mongolia was removed from the FATF Grey List in October 2020.

- The KTF project developed procedures for payout and a number of rules were put in place for the selection of a DICOM paying agent bank, a grievance procedure for depositors dissatisfied with payout on their insured accounts after a bank failure, and the public dissemination of information.

- The World Bank team assisted the drafting of a completely new version of the law, the Mongolia Insolvency Law, which is slated for submission to Parliament in the first half of 2023. One of the key factors that helped the government enhance their approach on the insolvency reform was the successful study visit made to Korea in May 2019 to learn about the Korean insolvency resolution framework, with meetings with relevant Korean champions in the insolvency practice.

- Strengthened the Independent Authority Against Corruption (IAAC) agency through supporting a more complete Asset Declaration and Conflict of Interest system (ADCI) and supported the drafting of an investigation manual and Mutual Legal Assistance (MLA) guidance.

---

3.4. MYANMAR

As noted, earlier in this assessment, with the early 2021 military coup, the World Bank’s ability to engage with the Myanmar authorities has been significantly affected: preparation of new lending operations and existing TA activities (including KTF grant supported activities) were halted. Encouragingly, based on the 2021 World Bank Global Findex data the percentage of adults with access to basic financial services in Myanmar rose to 47.79 percent, well above the 40 percent goal established through the 2014–2020 Financial Inclusion Roadmap.

Earlier KTF-funded PASAs supported the adoption of a key set of financial sector laws and regulatory reforms, which cumulatively served to improve transparency, modernize the bank regulatory and resolution regimes and payment systems, and the governance of public banks, thereby strengthening financial stability. However, the durability of these legal, regulatory and other reform measures cannot currently be assessed.

3.5. PAPUA NEW GUINEA

KTF supported the BPNG to develop and implement a national survey to better gauge the financial capability of PNG population, which would provide a baseline for better understanding the populace’s decision-making on money management, financial planning habits, and access to different types of formal and informal financial services in PNG.

With supplemental funding, the limited scope survey was expanded to other provinces and the results provided useful inputs to the development and implementation of a financial inclusion strategy and programs. The survey findings provided inputs to financial inclusion policy development, for example, the need to integrate financial education into formal curricula for school children and to develop designated training programs for women and household leaders, especially those in rural area. Strong capacity-building and awareness-raising workshops among the local researchers and financial institutions during the implementation also generated positive impacts on building local capacity on financial literacy survey and financial education.

Finally, a key action item in the financial inclusion strategy, the testing of digital IDs for the banking sector, was successfully undertaken and launched by BPNG. Going forward, the new digital IDs can significantly reduce the KYC compliance costs and facilitate individuals to build up their credits and access to financial services.

3.6. THE PHILIPPINES

With several broad sets of TA and/or advisory activities, providing support for financial inclusion within the NSFI, identifying measures to strengthen financial stability, payment systems development, AML, public credit guarantee schemes, agriculture finance and so on, there are a key number of durable outcomes realized in the Philippines with KTF funding, as featured below:

- KTF funding supported the preparation of a revised payment systems regulatory and oversight framework that was delivered to help BSP's preparation for an implementing regulation for the new National Payment System Law support.
The team provided support for the consolidation of several credit guarantee schemes into PhilGuarantee, informed by Executive Order 58 of 2018.

Finally, the KTF-funded TA and advisory services provided helped considerably to strengthen the Philippine authorities’ capacity to identify, assess, and mitigate risks arising from threats to financial stability. Moreover, KTF funding proved instrumental to leverage the TA and advisory services provided for the development of many financial sector conditionalities underpinning four Development Policy Loans to the Government of the Philippines for nearly US$2 billion.

CHAPTER 4.

In consideration for extending the KTF facility

Based upon an extensive review of documentation and interviews with KTF grant-funded teams and country counterparts, the following lessons and recommendations should be considered in the extension of the KTF program, which is planned to include identifying measures to foster innovation and private sector growth.

LESSONS LEARNED:

• **An independent impact assessment should be undertaken at the close of each phase.** Doing this assessment after 10 years, there is a missed opportunity for the Seoul Center, the respective TTLs, and country authorities to apply the lessons learned in the interim to new PASA activities.

• **The Seoul Center and the donor should consistently receive explicit acknowledgment for its invaluable support.** A number of KTF-funded deliverables did not recognize the contribution of the Seoul Center nor of the donor. Thus, going forward, all KTF deliverables—including workshops and virtual events—should explicitly acknowledge support provided in a bid to help foster more awareness on the many positive impacts of KTF funding.

• **It is crucial that the FCI country teams identify in each country more than one high-level ‘domestic champion’ (those able to influence policy and direct implementation).** These persons would help guide the team forward and moreover, address unforeseen obstacles. The absence of such can stymie activities linked to a single domestic champion.

RECOMMENDATIONS:

• **Building on the rising global focus to mitigate climate change impacts, all new KTF activities submitted should be required to reflect how the respective EAP country financial sector authorities address sustain-**
**able or green finance.** There is a wide body of knowledge surrounding this broad topic, which was not the focus of KTF activities when launched in 2012. The new awareness of climate risk and opportunities should be incorporated as a mandatory component of each new KTF proposal adopted.

- **A more robust Monitoring and Evaluation (M&E) framework should accompany every new KTF proposal.** The M&E framework is to assess the impacts of the sponsored reforms on, among others, the respective regulatory authorities’ envisaged reforms, financial sector participants inside and outside the regulatory perimeter, and citizens/businesses as users of financial services.

The proposed M&E framework is developed by the project team and should be validated by Seoul Center staff—indepedent of the TA delivery team. Regardless, it is crucial that all new TA recognizes and understands the potential impact of the proposed activities on relevant stakeholders in each country.

- **Additional Seoul Center resources are crucial to improve their approach to supporting respective financial sector authorities in their efforts to mitigate the impact of climate change at the country level and to enhance their monitoring and evaluation role.** Neither of these overarching sets of responsibilities can be addressed with existing Seoul Center staffing. Thus, each new set of tasks must be accompanied by a suitable resource commitment, perhaps through a small cadre of appropriately skilled Korean partner institution secondees.

- **A new virtual delivery model was inadvertently realized and scaled up owing to the pandemic.** Virtual platforms can be as effective as onsite workshops—but only if the KTF team has strong working relationships established with counterparts. For example, online video conferencing has been successfully used for workshops and trainings on, among others, AML/CFT, insurance, and payment systems. With the key precondition met, this model should be expanded where practical.

**STRENGTHEN DISSEMINATION AND PROJECT FEEDBACK LINKS:**

- **Public dissemination events and external communication are increasingly important to gain support for reforms and sustain outcomes realized.** Although the team continues to coordinate with key stakeholders and donor agencies, key TA/advisory or PASA outputs are not necessarily known to other government agencies and perhaps, other stakeholders. To the extent practical, public dissemination events and external communication via social media, blogs, and other means would be helpful to build domestic support and better profile KTF’s contribution to the county’s development.

- **Successful activities concluded should be systematically highlighted.** Whether by a short video or written summary sent to relevant Korean and EAP country counterparts, doing so would enable KTF teams and country counterparts alike to share their first-hand experiences with others challenged by similar issues. This could serve many good purposes, such as building trust and credibility with stakeholders, facilitating collaboration and knowledge-sharing, and providing inspirations and ideas, and help further to raise KTF brand awareness.

- **To strengthen Seoul Center’s quality assurance role, every seminar, workshop, and/or study visit utilizing KTF funding should be subject to a participants’ questionnaire to assess the efficacy of the materials provided.** Apparently, seminar or workshop participants were not regularly queried as to their views on the quality, scope, and usefulness of materials presented. Utilization of a thorough questionnaire should be regularized going forward to enable KTF teams to better tailor their approach to meet participants’ needs.

---

32 Please refer to the following: (i) for climate finance, see https://blogs.worldbank.org/search?keyword=climate+finance; (ii) for sovereign ESG frameworks, see https://esgdata.worldbank.org/explore/stories?lang=en&story=new-sovesg-data-portal; (iii) on a toolkit to access climate finance, see https://unfccc.int/documents/461219
Finally, through the many interviews hosted and extensive documentation reviewed, notwithstanding the need to consider the above lessons learned, recommendations, and measures to strengthen dissemination, it is the overarching takeaway from this assessment that the KTF program represents a valuable financial sector policy and technical advisory program that deserves to be strengthened and continued.
ANNEX 1:
Terms of Reference for KTF limited scope impact assessment

IMPACT OF SEOUL CENTER KOREA TRUST FUND SUPPORTED EAP COUNTRY ACTIVITIES

STC TERMS OF REFERENCE

BACKGROUND

The Seoul Center for Finance and Innovation (previously Seoul Center for Financial Sector Development) was created through a partnership between the Ministry of Economy and Finance of the Republic of Korea and the World Bank Group - Finance, Competitiveness, and Innovation (FCI) (then Finance and Markets) and formalized by a memorandum of understanding signed on October 11, 2011. The Seoul Center started operation in 2012 as a virtual pilot from Washington, DC, and relocated to the Korea Office in mid-2015. Since that time, the Ministry has contributed a total of US$37.5 million in trust funds toward the Seoul Center for the period 2012–21.

2021 marked the 10-year anniversary of this partnership. To commemorate this event, the Seoul Center has prepared a draft booklet summarizing the results that have made a difference in our East Asia and Pacific (EAP) client countries. The Seoul Center together with the Korea World Bank Office (CMU) is also planning on organizing an event on May 24, 2023, to commemorate this milestone. Initial ideas for such an event have been discussed and a formal concept note for the event is being prepared. One key aspect of this commemoration is to demonstrate to the donor how impactful the financial resources have been in delivering results for client countries in the financial sector.

To date, no review has been done to assess the development outcomes from the support provided to client countries in Phases 1 and 2 of the Korea Trust Fund (KTF) from 2012 to 2020. It is important to assess and analyze the extent to which the KTF activities in the different client countries in the EAP region contributed to development outcomes, whether intended or unintended. This exercise should not be considered a full-fledged assessment.

The work will be from December 15, 2022 to March 15, 2023.

TASK DESCRIPTION

In this context, completion of a report on the impact of KTF supported in relevant EAP client countries is planned for March 2023.

Michael Edwards will assist the World Bank team on conducting an impact assessment of development outcomes for KTF supported activities in EAP and prepare a report on the impact of KTF supported in relevant EAP client countries. Mr. Edwards will focus on collecting relevant information on activities to be assessed, analyzing the information/data collected, and preparing a report on the findings.

Mr. Edwards worked for the World Bank Group for 19 years on various financial sector activities on both the lending and advisory operations. At the time of his leaving the World Bank in 2017, Mr. Edwards was an Adviser in
then the Finance and Markets GP. Since 2019, he has been a WBG Consultant in ECA and EAP regions working on various financial sector activities including most recently reviewing the banking sector work in Vietnam. The work requires someone who knows the World Bank processes well, has a good knowledge of financial and private sector issues, and has prepared Implementation Completion Reports before. As a result, there are not many former World Bank staff that are available to do such work with a financial sector background. His expertise and knowledge of what type of impact we should expect from World Bank activities related to the financial sector is a comparative advantage.

To support this activity, Mr. Edwards will, in collaboration with and under the leadership of the Seoul Center for Finance and Innovation team, focus on

A. Building on initial work already done in reviewing and assessing the KTF related client country materials in EAP;

B. Identifying any other relevant documentation and/or information to be collected;

C. Analyzing the information collected including identifying distinguishing characteristics of the Seoul Center KTF compared to other trust funds;

D. Effectively articulating in a compelling, succinct, and visual way the outcomes/impactful results from the KTF supported activities;

E. Preparing and finalizing a report 25–30 pages long on the findings and appropriate PPT slides—reasonable length—capturing the key issues covered in the report;

F. Reviewing and providing feedback on the draft booklet prepared by the Seoul Center team for the 10th Anniversary; and

G. Leading the discussion on the findings of the assessment with a view to providing feedback to the Seoul Center for Finance and Innovation team with a possibility of inviting country teams that have been recipients of the KTF.

**ADMINISTRATIVE AND SUPERVISORY ARRANGEMENTS**

Mr. Edwards will deliver this work closely with Task Team Leader Stuart Yikona (Seoul Center for Finance and Innovation), supported by Soohyang Lee and others in the Seoul Center for Finance and Innovation team.
ANNEX 2:

List of Interviewees

SEOUL CENTER STAFF:
Joohyun Lee
Soohyang Lee
Stuart Yikona

WORLD BANK TEAM MEMBERS INTERVIEWED:
Dara Lengkong
Katia D’Hulster
Ketut Ariadi Kusuma
Kiyotaka Tanaka
Michael Corlett
Neni Lestari
Radu Tatucu
Ratchada Anantavrasilpa
Sameer Goyal
Smita Wagh
Thilasoni Benjamin Musuku
Tim DeVaan
Uzma Khalil
Vidaovanh Phounvixay
Viet Quoc Trieu
Wei Zhang

COUNTRY COUNTERPARTS:

Cambodia:
Chhang Samnean
Dalene Ngor
Kao Chanviseth
Keo Socheat
Lim Yiekling
Say Sam Ath
Sor Sokunchannika
Houygech Mork
Nimol Roth
Pichthida Charmroeun
Ratanak Lao
Seakheang Heng
Sereyvathna Rith
Virada Kho

Mongolia:
Batbaatar Batjargal

The Philippines:
Ferdinand George Florendo
Arturo Trinidad
Lyn I. Javier
Rhodora Brazil-De Vera
Chazer Dan P. Manuel
Charina B. De Vera-Yap
Rochelle D. Tomas

Indonesia:
Bambang Arianto
Bob Arfan
Ihda Muktiyanto

Lao PDR:
Nilundone Keomanysy
Phonethip Phimmasonhe
Manola Muongmany
Naphoukham Khamphouseng
Bouphaivaly Southavong