AFRICAN DEVELOPPEMENT BANK GROUP

OPERATIONS EVALUATION DEPARTMENT
(OPEV)

Evaluation of Policy Based Lending in the African Development Bank, 1999-2009

Case Study: Egypt Financial Sector Reform Programme

High Level Evaluations Division (OPEV.2)

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Executive Summary

In September 2004 the Government of Egypt (GoE) launched a comprehensive reform programme for its financial sector – the *Financial Sector Reform Program* (or FSRP). This programme was planned to run from 2005 through 2008. The total cost of this operation was estimated at $9.2 billion. The African Development Bank was approached for financial support and in 2006 the Bank conducted a joint appraisal mission with the World Bank and a Development Budget Support Loan (DBSL) of $500 million was provided as a single tranche operation. This was alongside financing for FSRP from the World Bank ($500 million), USAID ($1.2 billion) and the European Union ($9.5 million). The overall reform package proposed by the Egyptians was multi-faceted, technically complex and institutionally challenging in most of the reform areas.

Loan effectiveness was delayed for a period of almost eight months from October 2006 to May 2007 because of difficulty in meeting conditions. A waiver was requested by the Egyptian authorities (and granted by the Bank Board) for one condition, the requirement for submission of an Action Plan on Public Financial Management Reforms.

Some of the conditions in the matrix were not fulfilled. So, for example, although the Project Completion Report (PCR) comments positively on the loan as a whole it notes among other things that: the planned merger of Bank Misr and Banque de Caire had been cancelled and that the privatisation in the insurance sector had lagged behind the expected timetable. These set-backs were offset against the generally positive achievements (including a significant strengthening of the regulatory framework of the central bank (CBE); the consolidation of the insurance sector and its improved regulation; and a sounder basis for capital market development) for the PCR to score the operation overall at “3” on a four point scale.

Several observations can be made on the basis of the implementation experience:

- Contrary to the DBSL guidelines, the operation did not really provide *early* support to the budget reform process or to the substantive reforms included in the policy matrix – the Egyptians were already well down those roads by the time of the AfDB’s engagement.
- While it had been envisaged that the operation would lead both to greater engagement in financial sector reform in Egypt, and to a follow-on operation, neither of these transpired. This seems mainly to reflect the limited capacity that the Bank had to engage effectively in sectoral policy dialogue especially in its Field Office.
- A lack of clarity about the audit conditions required for the loan created some confusion within the Bank and with the client.

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Abbreviations

AfDB	African Development Bank
CBE	Central Bank of Egypt
ECB	European Central Bank
EISA	Egyptian Insurance Supervisory Authority
ERSAP	Economic Reform and Structural Adjustment Program
FIRST	Financial Sector Reform and Strengthening
FSAP	Financial Sector Assessment Programme
FSRP	Financial Sector Reform Program
GBS	General Budget Support
GoE	Government of Egypt
ICR	Implementation Completion and Results Report
MoU	Memorandum of Understanding
OPEV	Evaluation Department of AfDB
ORCE	Regional Center
ORNA	Regional Department, North I
OSGE	Governance, Finance and Economic Management Department
PAR	Project Appraisal Report
PBL	Policy Based Lending
PCR	Project Completion Report
RMC	Regional Member Country
SAL	Structural Adjustment Lending
SDBSL	Sector Direct Budget Support Loan
SME	Small and Medium Enterprise

1 Introduction

This case study forms part of the evaluation of policy based lending in the African Development Bank (AfDB) from 1999-2009. It is one of four case studies of specific operations that have been carried out as part of the evaluation:

- Botswana Economic Diversification Loan (approved 2nd June 2009). This is by far the largest PBO over the evaluation period representing about 22% of the total value of PBO approvals between 1999 and 2009, and is now the largest loan ever made by the Bank.
- Nigeria Economic and Power Sector Reform Programme (approved 1st October 2010). This is the largest sectoral operation in Sub-Saharan Africa.
- Egypt Financial Sector Reform Loan (approved 26th July 2006). This is the largest sectoral operation over the evaluation period and was at the time the largest loan ever made by the Bank.
- Democratic Republic of Congo Emergency Programme to Mitigate the Impact of the Financial Crisis (approved 1st May 2009). This is a major recent operation in a fragile context.

These case studies were selected (to complement the six country case studies) because they represented particularly large operations that have accounted for a significant proportion of the Bank's commitments under policy based operations over the evaluation period, or in the case of the DRC programme because only one fragile state was represented in the country case studies. These case studies have been carried out through a desk review of documentation, and through interviews with AfDB staff. They have not involved country visits or interviews with RMC counterparts.

The case study is structured as follows. Section 2 provides an overview of the operation. Section 3 discusses the wider reform process that the operation sought to support. Section 4 discusses the major issues that arose in implementation of the programme.

2 Overview of the Operation

In September 2004 the Government of Egypt (GoE) launched a comprehensive reform programme for its financial sector – the *Financial Sector Reform Program* (or FSRP). This programme was planned to run from 2005 through 2008. The total cost of this operation was estimated at $9.2 billion. At a relatively early stage in 2004 the AfDB was approached by the GoE for financial support to the FSRP. Initial preliminary missions to Cairo were mounted in October 2004 and again in October 2005 for technical discussions– it is not clear why the lags were so long. In any event, the formal consideration of this request took some time but in March 2006 the Bank conducted a formal appraisal mission jointly with the World Bank and subsequently in July 2006 the Bank's Board approved a Budget Support loan of $500 million to support the operation. This was alongside the additional lending that was provided by the World Bank[1] ($500 million), USAID ($1.2 billion) and the European Union ($9.5 million).[2]

Although the loan was clearly designed to address the reforms contained in the FSRP, there was no explicit earmarking of the Bank's $500 million to a particular programme of government expenditures, so it can be considered a Sector Direct Budget Support Loan (SDBSL). The Bank's loan was granted on a 20 year maturity including a six year grace period and was charged at Libor plus 0.4%.The loan became effective in May 2007 and was subject to early Bank supervision missions in June and December of that same year. These missions both concluded that the FSRP was progressing satisfactorily. The project completion report (PCR) for the project which is dated June 2008, followed two further supervision missions.[3]

The processing of the operation involved clear arrangements for the harmonisation and alignment of the activities of the different donors and the other stakeholders. In particular, as in other sectors in Egypt, a sectoral donors group was established – specifically, the Financial Sector Donors Sub-group, chaired by the World Bank - to coordinate all the technical and financial support to the FSRP. Both major lenders suffered significant delays because of the requirement of the Egyptian Constitution that all loans be approved by Parliament *after* they are approved formally by the donors. Parliament took an unusually long time to discuss the complex reform package and gave its approval only in April 2007.

Another important feature of this loan was that the content of the FSRP was already largely in place by the date of the Bank's engagement with it. The Bank does not seem to have been much involved in significant design work in support of its own operation – the project in this respect can safely be said to have had significant "ownership" from the Egyptian government. The World Bank seems to have been in a somewhat different position having been actively engaged with a significant technical team in Cairo for some time. It had been a main source of the prior diagnostic work in the 2002 FSAP and had followed this with a sustained dialogue through to the time of project effectiveness.[4] The Project Appraisal

[1] The World Bank subsequently provided a second further phase of support of $500 million.

[2] The GoE planned to finance the total cost of the FSRP through a combination of privatization proceeds (including the privatisation of some banks), budget support grants and loans, debt instruments, and direct fiscal resources

[3] A final revised PCR was issued in September 2010.

[4] This had been supplemented by a variety of FIRST Initiative technical assistance projects that had greatly clarified the capacity building needs of the program.

Report (PAR) of June 2006 suggests that the Bank’s perceived risk in the new operation was mitigated to a degree by the successful outcome of its earlier engagement with Egypt’s Economic Reform and Structural Adjustment Program (ERSAP) in the period 1991 to 1993. This had been assessed by the Bank’s own evaluation department (OPEV) as one of the three main success stories of the Bank’s engagement with structural adjustment loans in the 1990s.

3 The Reform Programme Supported

Assessments of the Egyptian financial sector that had been undertaken prior to 2004[5] had concluded that, in spite of earlier partial reforms there was still a need: (i) to strengthen bank regulation and supervision, (ii) to reduce state ownership in the banking sector, and address the associated problem of nonperforming loans in the sector, (iii) to strengthen the insurance industry to enhance its role in resource mobilization and risk transfer, and (iv) to develop further the Egyptian capital markets and other non-bank financial services such as leasing and factoring. The FSRP was a home grown Egyptian response to these priorities and the AfDB was able to respond to a reform package that was already well and comprehensively specified by the time that it engaged actively with the issues. The Bank's assessment of the importance of its operation is well summarised in the following short extract from the PAR.

> "An effective financial infrastructure competently delivering essential financial services, which the FSRP aims to provide, will give a big impetus to economic development in Egypt. Deep and broad based financial markets will enhance access to finance by private enterprises, including SMEs. Availability of funding with more efficient allocation of capital for productive investments by the private sector will accelerate economic growth. The ability to transfer risk to those willing to bear it will enhance the management of systemic risk. The development of secondary capital markets will improve price discovery and valuation of financial assets and productive activities, and will improve liquidity by facilitating efficient capital entry and exit. The build up in regulatory and supervisory capacity with enhanced corporate governance will ensure market integrity and instil investor confidence. The creation of a mortgage market will serve as a market mechanism for mobilizing medium-term funding from capital markets for residential housing while increasing access to finance and affordability."

The overall reform package proposed by the Egyptians was multi-faceted, technically complex and institutionally challenging in most of the reform areas. This fact was reflected in a very large and complex policy matrix that was included in the Bank's own proposed programme. The list of conditions precedent to loan disbursement set out in Box 2.1 and the full policy matrix is reproduced in Annex A.

Loan effectiveness was delayed for a period of almost eight months from October 2006 to May 2007 due to difficulties in the fulfilment of conditions. A waiver was requested (and granted by the Bank's Board) in respect of one condition, that relating to the submission of a public finance management reform agenda – this being the only condition that lay outside the financial sector and the only one that was not common to World Bank conditions.

Although the Project Completion Report comments positively on the loan as a whole it notes among other things that the planned merger of Bank Misr and Banque de Caire had been cancelled and that the privatisation in the insurance sector had lagged behind the expected timetable. These setbacks were offset against the generally positive achievements (including a significant strengthening of the regulatory framework of the central bank (CBE); the consolidation of the insurance sector and its improved regulation; and a sounder basis for capital market development) for the PCR to score the operation overall at "3" on a four point scale.

[5] Especially the joint World Bank /IMF Financial Sector Assessment Program of 2002.

Box 3.1 Conditions Precedent to Loan Disbursement

(i) Submission to the Bank of a detailed time-bound action plan including benchmark and monitoring indicators, for the implementation of the ongoing Public Financial Management reform agenda as contained in the 2006 – 2009 Economic Reform Plan prepared by the Ministry of Finance

(ii) Submission to the Bank of the evidence of the adoption by the Chairman of EISA of the development plan to establish, including staffing, systems and procedures, an enhanced supervisory capacity for insurance and private pensions, and a time-bound action plan for transition to a risk-based supervisory regime

(iii) Submission to the Bank of evidence of full divesture of state-owned banks shares in no less than 12 joint venture banks and progress report on the program of divestiture of state-owned banks' shareholding in the remaining five joint venture banks

(iv) Submission to the Bank of the final shortlist of strategic investors approved to bid for the acquisition of a majority in the Bank of Alexandria

(v) Submission to the Bank of the final reports of the comprehensive independent financial due diligence of the National Bank of Egypt, Banque Misr and Banque du Caire in accordance with the TOR agreed with the GoE

(vi) Adoption and submission to the Bank of a satisfactory framework for institutional and operational restructuring of the National Bank of Egypt and Bank Misr.

(vii) The adoption and submission to the Bank of a satisfactory, and time-bound operational scheme for the settlement of non-performing loans owed by state-owned enterprises to the National Bank of Egypt, and Banque Misr/Banque du Caire

(viii) Provision to the Bank of evidence of the submission by the Minister of Investment to the Prime Minister of draft insurance sector reform laws relating to (i) stamp duties on insurance premium; (ii) insurance brokerages; and (iii) motor third party liability insurance

(ix) Submission to the Bank of evidence of the acceptance by the Minister of Investment of the proposal to set up an insurance holding company for the four state-owned insurance companies, and

(x) Publication by the Board of Trustees of the Institute of Directors of a new Code of Best Practice in corporate governance that meets international standards, and development of action plan for compliance with International Financial Reporting Standards by the enterprise sector.

4 Issues Arising in Implementation

4.1 Compliance with guidelines

This FSRP operation was initiated in 2006 before the establishment of the OSGE.[6] However, the Bank's April 2004 Guidelines for budget support were already in place and seem to have been followed in some but not all respects in processing the loan. For example, the operation did involve a systematic fiduciary review (Guidelines para 3.1.4 and Section 3 in the PAR); a coherent national reform programme that needed support (Guidelines para 3.1.1); and clear partnership arrangements between the country and its main donors (Guidelines para 3.4.3). However, the operation did not really provide *early* support to the budget reform process or to the substantive reforms included in the policy matrix – the Egyptians were already well down those roads by the time of the AfDB's engagement. Nor in the event did the operation in the event provide support over a medium term period – since only the single tranche was disbursed - or provide any real entrée for the AfDB to have regular and consistent participation in the process of reviewing the reforms (Guidelines para 4.1.2).

The message here is that although the guidelines were treated seriously, the practicalities of this specific operation also required the Bank to take a somewhat pragmatic approach in order to meet the requirements of their client country. The Bank itself in the PCR for the Egyptian operation has concluded that it needs to get involved in projects/programmes at an earlier stage if it hopes to contribute to the technical design and subsequent technical assistance.

4.2 Problems of ongoing dialogue

It is clear from the project files that the World Bank saw the FSRP-I operation as a part of an ongoing series of financial sector operations in Egypt and had established a substantial in-country team to help design and deliver these. From an early stage the AfDB team envisaged that its own involvement in FSRP-I would also be a part of an ongoing series of further operations in the sector[7]. The outline planning of the Bank makes reference to a possible FSRP – II in 2009 for UA 300 million and an FSRP-III in 2011 for a further indicative amount of UA 300 million. The ongoing engagement of the AfDB in the dialogue that would have been associated with these follow-up operations could have been a further part of the justification for an unusually large loan and for the adoption of such an ambitious initial policy

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[6] In the absence of OSGE the work on this operation was led initially by the regional department of the Bank (ORNA with inputs from ORCE). However, OSGE was clearly in the frame at the stage when the follow up work for the project was under discussion.

[7] Paragraph 5.4 in the PAR notes that …."*For the AfDB, the relationship with Egypt is a long-term commitment, and the Bank would continue to engage the authorities on those reform measures that it considers necessary, but which could not be accommodated within the current phase of the reform program."* Then in para 6.4 it is stated that *…"*it is being proposed that a loan of US$ 500million be considered by the Bank, with the understanding that follow up support might be considered depending on the progress of implementation of the reform program. The World Bank approved on June 15, 2006 a development policy loan of US$ 500 million, which will likely be followed by other operations. It is anticipated that the proposed loan will be the first in a series of operations to support the GOE's efforts to reform the financial sector."

matrix. However, something clearly went wrong with this ambition and there are potential lessons for the Bank in reviewing that experience a bit more fully (see below).

One clear lesson is that in relatively sophisticated middle income countries such as Egypt, the Bank will often find itself in a competitive position for the lending business and so needs to market a broad package of support services and not merely the availability of a lending capability. World Bank documents indicate that by the early part of 2007, that it was already working seriously on the content of a possible FSRP-II. [8] By March 2008 (and possible earlier) there appears to have been significant donor activity around the idea of an FSRP-II and there was agreement held late in March of that year that the World Bank would prepare an appraisal document for this operation. However, the technical contribution of the AfDB is not mentioned in the notes to that meeting even though a representative was in attendance. Subsequently the World Bank went ahead with the second operation without any participation of the AfDB.

Various hypotheses are now proposed *ex post facto* to explain why the AfDB missed out on the real possibility of significant further lending activities on the back of its first loan. One hypothesis which seems to bear little detailed scrutiny is that the AfDB funds at 0.4% over Libor were slightly more expensive than the funds offered by the World Bank. But a similar rate difference occurred with the first loan and caused no difficulty. A second and more plausible suggestion is that the AfDB was simply unable to muster sufficiently strong technical assistance support to provide the Egyptian authorities with the significant *technical value-added* that their reforms needed. If the funding was all that the AfDB was perceived – rightly or wrongly - to have on offer then the 0.4% discrepancy in spread may well have been elevated to an importance that it would not otherwise have commanded. It is noted in this context that the World Bank's ICR of February 2007 had recognised substantial technical assistance contributions to FSRP-I from the European Central Bank (ECB)[9], from the Memorandum of Understanding between Egypt and USAID[10], and from the IMF but makes no reference at all to any similar TA input from the AfDB.

These types of potential problems had been anticipated in the AfDB's April 2004 Guidelines. These note that:

> …." DBSL (direct budget support lending) requires the maintenance of frequent and regular interaction between donors, governments and other stakeholders. To be effective under these operational circumstances, the Bank Group will have to make more efficient use of its limited human resources; ensuring appropriate skills mix of the DBSL team. Starting from the identification phase of a DBSL operation (which should have, a priori, been analytically justified in the relevant country's CSP), a multi-disciplinary team must be assembled and actively engaged throughout the DBSL cycle…… " (p.14).

The record on the Egyptian FSRP operation suggests that the Bank did not really get its staffing levels up to a sufficient level to offer a credible complementary resource to the very

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[8] World Bank, *Implementation Completion and Results Report (ICR) on a Financial Sector Development Policy Loan*, para 2.4 February 21st 2007.

[9] ECB provided a large technical assistance and training program for banking supervision.

[10] USAID's MOU provided the government with significant help in reforming mortgage finance and the insurance sector.

strong team that was fielded by the World Bank, supported in various technical areas by the ECB, USAID and the IMF. The absence at critical times of an AfDB country economist for Egypt is mentioned as a particular example of what seem to have been a more general problem. The creation of OSGE part-way through the process may also have temporarily clouded the waters by casting doubt on which part of the Bank should be taking the lead in any follow-up work. So although the FSRP operation was successful in terms of most elements of the conditions that it articulated in the policy matrix it was less than successful from the narrow viewpoint of the AfDB in that (i) it failed to generate second and subsequent operations and the income streams that would have been associated with these and (ii) it seemed at the time to have failed to learn and institutionalise the particular technical lessons about Financial Sector Reform that could have come from the Egyptian-FSRP for use in subsequent Bank operations in other countries.

4.3 Audit and other post-disbursement issues

After the disbursement of the single tranche, the Bank was appropriately assiduous in fielding a series of supervision missions to monitor the progress against the various actions and reform initiatives contained in the policy matrix. In this way the Bank maintained good intelligence about the progress that was or was not being achieved in particular parts of the program. It is not clear from the project documents how actively engaged in this work were the Bank teams with the other donors or with the various special reform teams set up in the two executing agencies in Egypt – the Central Bank (CBE)[11] and the Ministry of Investment.[12] However, the relatively poor outcome concerning the possible FSRP-II suggests that there may have been some failures of communication with the World Bank who remained very active with new technical work in the post-disbursement period.

The Bank clearly achieved its *primary objective* which was to disburse $500 million to the Egyptian budget in support of a reform program that both Bank and other evaluators have adjudged to be broadly satisfactory. However, there appears to have been some confusion about the substantive objectives that the AfDB operation had been designed to address. In this context, the role of *particular items selected for inclusion* in the matrix (as opposed to the programme as whole).

This arose in particular in the area of audit. The PAR was very clear on this matter. Its only section on Audit states the following:

> "…..The loan proceeds would be disbursed into a dedicated account that will be opened at the CBE for the purpose. While the *Bank's loan would not be tied to specific expenditures under the program* (emphasis added), but rather be available to the Government's budget, the flow of funds will be subject to a special audit to ensure that the funds have been utilized for approved expenditures under the reform program. *The special audit, to be carried out by the CBE's auditors* (emphasis added), will seek to confirm the accuracy of all transactions of the dedicated account, including the accuracy of exchange rate conversions as might be necessary. The audit is expected to be conducted yearly and the report submitted to the Bank within six months after the year-end " …(para 6.10)..

[11] Where a dedicated Bank Reform Unit had been set up.

[12] Our review of the project files (both those available electronically and those maintained in hard copy) identified only the Executive Summary of the Bank's PCR. It is possible that access to the full PCR would enable us to clarify some of these matters.

In spite of the clarity of these arrangements, the Bank struggled to satisfy itself that compliance with the arrangements had indeed been achieved. In August 2009, the Chief Financial Officer of the CBE provided the Bank with copies of the audited accounts of the CBE for the two years 2007 and 2008. These were forwarded in an internal memo within the Bank as the “Audit Report for the Loan”. However, they do not seem to have been “the special audit” as envisaged in the PAR. This delivery from the CBE followed a process that had involved above all a mission from the AfDB’s Audit department in January 2009 and a subsequent and detailed internal audit report in March 2009. This work had, among other things, apparently thrown up the suggestion from an official of the CBE that some part of the project funds had been used to re-capitalise Bank Misr. This was not unreasonable since such a recapitalisation was one element of the actions included in the policy matrix. However, the Bank audit team then sought evidence that the AfDB funds in the dedicated project account at the CBE had indeed been used in this manner and also, allegedly that a prior AfDB no-objection had been obtained. The PCR concluded that:

> “Although this was a budget support operation that should have relied on country systems, the Bank did insist on special external audit reports to be conducted. The borrower had difficulties complying with this requirement, and at the end did not conduct such special audits. Rather CBE submitted its own external audit reports for 2007 and 2008, that were aligned with country systems. This issue was only closed by the Bank in April 2010.”

Several generic points about the performance of this operation can be made:

- First, even if a budget-support loan is disbursed to a dedicated account, the funds in question are normally provided in support of a *broadly agreed* government programme and are not tied to particular components of that programme[13]. Further the fiduciary assessments that precede a loan are undertaken in order to ensure that the Bank is able to trust national systems of financial management and accountability. So in this Egyptian case the audit function of the Bank itself should have been confined to confirming compliance with the correct transfer of funds to the dedicated account at the CBE and to the receipt of the agreed audit reports from the CBE’s own auditors. In this context a far better definition of what exactly was meant in the PAR by the “special audit to be carried out by the CBE's auditors” might have eliminated the subsequent confusion. But, in any event any in-depth probing by the Bank into the eventual use by the GoE of the funds in question flies in the face of the intention of budget support operations to rely on the national systems of financial management and accountability.
- Second, insofar as a post-disbursement check on the performance against the substantive technical conditions in the policy matrix is concerned this is clearly the function of the country technical teams including the country economist and the OSGE specialists. However, the effectiveness of such supervision (e.g. can it help to improve the fulfilment of conditions which involve inherent difficulties for the country) is greatly enhanced if there is a true post-disbursement engagement at technical levels between the Bank teams and the executing agencies in the country. In the absence of such engagement the supervision activity seems likely to become merely a box-ticking formal obligation of the Bank which it needs to carry out but without any obvious pay off in terms of improved country performance.
- Third the Bank would benefit from greater clarity about the stage at which the ongoing supervision of the substantive policy matrix conditions should give way to an evaluation function (under OPEV). In cases where the dialogue with the country and with other

[13] Unless of course such tying is explicitly included in loan agreements,

donor teams is ongoing with the AfDB specialists deeply engaged in some at least of the technical areas of the matrix (possibly via smaller follow-up TA or other operations) then OPEV can delay its own involvement. We have noted above how important it is for the AfDB to seek to complement its provision of loan funds with a properly resourced effort to be a central part of the programme dialogue – certainly in operations as large as the Egyptian FSRP. A realistic assessment of the possibility of such engagement might be seen as a routine element in the preparation of any large project. In cases where ongoing engagement seems unlikely to be a real possibility – for whatever reason - then the Bank may wish to recognise explicitly that its only contribution is going to be the transfer of funds and avoid any pretence that it is adding value to the substantive content of the reforms that the funds are directed towards.

Annex A Financial Sector Reform Program: Policy Matrix

Republic of Egypt
Financial Sector Reform Program
Policy Matrix

Policy Reform Action	Expected Outcomes	Actions Already Undertaken by the Authorities to March 2006	Actions to be undertaken by the Authorities up to December 2006	Indicative Medium-term Actions
I. Strengthening legal, regulatory and supervisory framework in banking and insurance				
• Implementation of reforms and capacity building measures in banking regulation and supervision, including new internal guidelines and procedures, new IT scheme, and training program • Revised regulations on credit risk developed	• The effectiveness of banking regulatory and supervisory regime is strengthened, with better adherence to international standards	• Technical Assistance received from the Eurosystem to strengthen banking supervision • Resident advisors on board at CBE conducting a two-year capacity building program • Detailed capacity building program, including new organization chart for banking supervision, project teams, and IT working group approved by the Governor of CBE		• Continued implementation of the capacity building program, together with other actions on the part of the CBE to build a credible risk-based supervisory regime.
• Implementation of reforms and capacity building measures in insurance and private pension regulation and supervision as per agreed actions in the Supervisory Development Plan (SDP)	• Strengthened insurance and private pension supervisory capacity, and transition to a risk-based supervisory regime	• A consortium of advisors and technical consultants has been appointed to advise on restructuring and privatization of state-owned insurance companies • A program of legal reform is underway with draft laws ready for submission by the Ministry of Investment and the regulatory authorities to the Prime Minister	• Adoption by the Chairman of EISA of the development plan to establish, including staffing, systems and procedures, an enhanced supervisory capacity for insurance and private pensions, and a time-bound action plan for transition to a risk-based supervisory regime. • Submission by the Minister of Investment to the Prime Minister of draft insurance sector reform laws relating to (i) taxes on insurance premium; (ii) licensing of insurance brokerages; and (iii)	• Full implementation of the insurance restructuring program, with the development of a credible and risk-based insurance supervisory system conforming with international standards • The reform laws on stamp duties on premium, brokers, and MTPL, are enacted by Parliament.