Executive Summary of Evaluation

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Background

The Mid-Term Review (MTR) evaluates International Finance Corporation (IFC) East Asia Pacific Financial Infrastructure Development Program (FIDP) activities and results from January 2012 through the end of December 2014. The review evaluates FIDP according to the five Development Assistance Committee/OECD criteria of relevance, effectiveness, impact, sustainability and efficiency, and provides recommendations to ensure the accountability of the program to donors and stakeholders, and provides lessons learned that lead to actionable recommendations.

The MTR covers implementation activities undertaken in the eleven FIDP projects in the table below. All projects are in the implementation phase except Laos Secured Transactions, which closed in March 2014 with phase 2 now in pre-implementation.

Country	Project
Cambodia	Credit Bureau 2
	Secured Transactions
China	RMS Credit Reporting
	Rural Secured Transactions
Indonesia	Secured Transactions
Laos	Secured Transactions
Mongolia	Secured Transactions Reform
Pacific Sub-Region	Credit Bureaus
Phillipines	Credit Bureau
	Secured Transactions
Vietnam	Secured Transactions 3

FIDP address two key financial infrastructure pillars: credit reporting and secured transactions.

Credit information bureaus reduce the cost and improve the quality and comprehensiveness of credit information available to financial institutions. The availability of reliable and more comprehensive credit information opens access to a larger population of previously unserved or underserved individuals and enterprises.

Secured transactions frameworks help a greater number and broader categories of enterprises access credit by expanding the range of asset types which they can use as security for loans.

FIDP origins date to early IFC advisory work in China, beginning in 2003 to develop a modern credit bureau and to develop the legal and regulatory framework enabling movable asset finance. These initial projects achieved considerable success. A comprehensive credit reporting system was built, covering over 800 million individuals and 18 million enterprises. China's Credit Reference Center is now the world's largest credit reporting service provider. A movables finance industry was created; the share of business loans in China secured by movable assets grew from 12% in 2004 to 30% in 2012 with a total cumulative value of financing facilitated during that period of around USD 3.5 trillion.

Before the donor agreement formalizing SECO funding support for IFC EAP advisory services was signed in December 2011, which effectively launched FIDP through the entire region, IFC assisted in credit bureau development in China, Vietnam, Laos, the Pacific Sub-Region, and Cambodia, and played a crucial role in creating movable financing industries in China and Vietnam. With large scale SECO financial support and collaboration in project planning and monitoring, as well as smaller contributions from Canada, Japan, and the European Union, FIDP was expanded into the countries covered by this MTR.

Objectives

The intended change to be brought about through FIDP is stronger private sector growth through expanded business and consumer access to credit. The Micro, Small and Medium size Enterprise (MSME) sector is the main driver for private sector economic growth throughout the EAP region, and lack of MSME access to finance is one of the major barriers to private sector development. FIDP design specifically focuses on broader and increased MSME access to finance in each of the countries in which FIDP projects have been implemented.

FIDP countries share two key areas of financial infrastructure market failure.

- Lack of effective credit reporting is a common barrier to increased access to finance in each of the FIDP countries, in which no functioning credit bureaus exist or existing bureaus are ineffective.
- Banks in the region historically relied on fixed asset collateral such as land or buildings as a prerequisite to extending credit. Most MSMEs do not have significant amounts of these assets on their balance sheets, and thus have not been given credit. Bank inability or unwillingness to lend against accounts receivable, inventory, and movable business equipment greatly limits financing of the MSME sector.

FIDP addresses both of areas of market failure through the establishment and improvement of credit bureaus, and the establishment and expansion of movable asset finance as a means of MSME finance. There are three major activity components in each credit reporting and movable asset financing project:

(1) Create or enhance the necessary legal and regulatory enabling environment for the interventions to achieve their objectives
(2) In close cooperation with country governments and industry stakeholders, create or strengthen the specific institutions necessary to achieve project objectives: credit bureaus and their accompanying reporting structures and tools, and collateral registries integrating movable assets with existing forms of collateral. In many projects this component also includes establishment of web-based services and may involve the consolidation of multiple existing institutions.
(3) Develop markets and build the necessary stakeholder capacity necessary for the interventions to achieve their objectives, including credit bureau and collateral registry operators, financial institution managers who will introduce and champion the use of the new FIDP products and services to expand the range and amount of MSME lending, and the regulatory bodies overseeing involved institutions.

In some secured transaction projects, as in Cambodia and China, the third component is enhanced through the establishment and initial development of a collateral management industry, which expands the variety of movable asset-backed lending structures available to lenders and borrowers. In other countries such as Laos, development of the leasing industry is also part of the overall effort to expand movable asset lending options available to MSMEs. In China an electronic financing platform is in the pilot stage, facilitating accounts receivable finance throughout the product chains of major firms. In Cambodia and China, the credit reporting projects include a component to establish financial consumer protection frameworks, enhancing the quality of the expanded access to finance resulting from the projects.

Analysis

The MTR evaluates each of the five criterion areas using five qualitative levels: excellent, good, adequate, poor, and weak. The table below indicates criteria evaluation findings:

FIDP Evaluation Criteria	
Relevance	Excellent
Effectiveness	Excellent
Impact	Excellent
Sustainability	Good
Efficiency	Good

The overall FIDP assessment is excellent, while there are some minor problems and mixed results described in the following sections.

Relevance refers to the extent to which project or program objectives are consistent with beneficiary requirements and country needs, IFC and WBG country strategies and global priorities, and other partner and donor priorities.

The degree of FIDP relevance is excellent, considering very close alignment between WBG and SECO priorities and strategies and project objectives, and the strong match between country access to finance development needs and the outputs and impacts of FIDP projects.

FIDP projects closely match WBG EAP strategies for inclusion, private sector growth support, infrastructure building, and institutional governance. FIDP credit reporting and secured transactions project outcomes and impacts all contribute directly to greater and broader inclusion and access to finance as well as associated strengthening of financial sector governance and operation through improved risk management and prudent market expansion. Project results are very closely matched to the IFC focus on financial inclusion and sustainable urbanization.

The strategy and development priority alignments in the two SECO priority countries, Vietnam and Indonesia, with respect to inclusive and sustainable growth, enhancement of SME growth, competitiveness and productivity, and private sector development are particularly strong between IFC/WBG and SECO. Key shared themes are SME development, inclusive and sustainable growth, and enhancement of competitiveness.

FIDP projects are highly relevant to country development needs and government development priorities. East Asia Pacific countries face significant challenges to improve financial inclusion.

One factor is relatively poor levels of development: Cambodia, Laos, Mongolia and Vietnam, along with the five Pacific Sub-Region countries, are IDA borrowing countries with annual GNI per capita of less than USD 1,215.

The second significant barrier to improving access to finance in the seven FIDP countries and the Pacific group of countries is low financial sector development levels. Financial systems and markets in FIDP countries are relatively undeveloped, or as in the cases of China and Indonesia, unevenly developed, resulting in unmet market needs or bottlenecks in the development and provision of financial services.

There has been significant progress in terms of individual access to banking services. The World Bank 2014 Global Financial Inclusion Database provides the following relevant indicators. In FIDP countries the average proportion of people with an account with a formal financial institution grew from 53% to 67% from 2011 through 2014, roughly the same growth rate as that for EAP developing countries as a whole. However, banking products and services remain underutilized, with only 36% of people using saving products at banks and only 11% borrowing. Of the 11% that borrow, only 8% use the funds for business purposes, which would normally be related to family enterprises.

The level of bank credit provided to enterprises reflects weaker levels of financial sector development compared to the levels of service and credit provided to individuals. The 2011 IFC Enterprise Finance Gap Database provides the following important indicators for Informal and Micro, Small and Medium size Enterprises (IMSMEs). In FIDP countries only 11% of IMSMEs have access to formal financial products and services, which suggests that FIDP will be important in opening new channels for IMSMEs to obtain needed credit. In FIDP countries only 9% of IMSMEs borrow from banks, representing vast potential to unlock previously unavailable credit which will stimulate IMSME growth, economic output, and job creation in both urban and rural areas. About 46% of IMSMEs in FIDP countries indicate that they do not have a need for formal credit, thus 54% do have a need while less than 9% borrow from formal financial institutions.

The above factors indicate that FIDP is highly relevant to both IFC/SECO regional and country strategies, and to country development needs and priorities.

Effectiveness refers to the extent to which project or program objectives were achieved, or are expected to be achieved, taking into account their relative importance.

The degree to which FIDP effectively achieves goals is excellent. Achievements have been significant from two perspectives.

First, the overall record for achieving specific project results targets has been very strong. In total, for the eleven FIDP projects covered in the MTR, 71% of outputs were at or above year-end 2014 targets, 73% of outcomes, and 88% of impacts. Excluding Pacific CBs project results, which reflect scheduling errors while project performance is good, 77% of outputs were at or above targets, 84% of outcomes, and 88% of impacts. These figures reflect effective program and project design and management.

Second, almost all projects have made important progress towards each of their specific goals, with key achievements in areas that directly address country development needs and which are crucial to project success such as recommending and passing enabling laws and regulations, bringing registry and credit bureau electronic systems to markets, and, in particular, engaging a broad range of market stakeholders in advancing credit reporting and movable asset finance market development. The following summaries reflect project achievements.

Cambodia CB2: in the Cambodian market, there is no commercial credit reporting yet, financial consumers are not well informed or protected, and the Credit Bureau of Cambodia (CBC) has limited data sources. The project is engaging key government ministries and the central bank to enable access to needed data sources for commercial reporting and to broaden CBC data sources, and is helping establish a financial consumer protection regime. Progress is ahead of schedule with strong results.

Cambodia ST: in Cambodia there is weak understanding related to secured transactions law and regulations, the collateral registry is often not accessible and difficult to use, there is little awareness of movable asset financing, and there is no effective collateral management industry. The project addresses these needs through extensive outreach and communication activities including in-depth advisory services to two banks, registry system upgrade and development of new business strategies and plans and registry staff capacity building, and development of the collateral management industry through the introduction of international collateral management firms into the Cambodian market. Progress is ahead of schedule, supported by strong working relationships with government partners and the Cambodian banking association to address shortcomings in the legal framework and collateral registry and to develop financial sector capacity.

China RMS CB: With significant achievements already made through preceding projects in the credit reporting market covering SMEs, the project addresses the credit reporting development needs of rural, micro and small (RMS) borrowers in the Chinese market while continuing support for expansion of the overall market. The project is assisting the Credit Reference Center (CRC) to developing specific products for the RMS market. To support expansion into rural and other underserved markets, the project is also working with the Peoples' Bank of China to strengthen the financial consumer protection framework. CRC, created with the help of IFC in the preceding project, is now the world's largest credit reporting service provider.

China Rural ST: While the overall secured transactions market in China has expanded on a vast scale, there remain development needs in the RMS market to achieve balanced and equitable access to finance, and there is need to develop supporting services such as the collateral management industry and electronic financing platforms which will help serve the RMS and the overall market. As in the credit reporting project, this secured transactions project addresses the movable asset financing market through development of supporting services. Since project implementation began in November 2012, achievement of results have been uniquely strong among FIDP projects.

Indonesia ST: While the economy and banking sector in Indonesia are relatively well developed compared to some other FIDP countries, there remain significant needs to improve balanced access to finance. The legal and regulatory framework supporting movable asset finance is weak and poorly understood, the Fiducial collateral registry functions poorly and is decentralized with 33 offices over the wide geography of Indonesia, and the financial sector lacks understanding of movable asset finance and capacity to use it. The project is addressing these needs through assistance to the Ministry of Law and Human Rights to improve the legal and regulatory infrastructure supporting movable asset finance, to centralize the registry and to modernize the system and processes to use the registry, and has begun a series of capacity building activities aimed broadly at the main institutions in the financial sector. There remains a need to further define a comprehensive strategy to develop the movables asset financing market.

Laos ST: Access to finance is a significant constraint to private sector development in Laos, with three key secured transactions development needs to address: weak understanding of and lack of guidance on how to apply existing law, no functioning collateral registry for movable assets before the project began, and little movable asset finance knowledge or practical capacity within the financial sector, in which there was almost no movable asset finance before the project. The project helped the Lao government develop an implementation decree and regulatory rules to support movable asset finance, and assisted the Ministry of Finance to implement a web-based collateral registry system in 2011. Some financial sector capacity building activity was initiated through this project, while phase 2, now in pre-implementation, will focus on market development and capacity building. In support of overall movable asset finance development, the project assisted the Bank of Lao to enact a decree governing leasing and supported public outreach to promote leasing. This form of finance fits and is productive in the Laotian market.

Mongolia ST: In Mongolia the movable asset market was poorly developed before the project began, with no legal and regulatory framework in place, no centralized collateral registry with the capacity to support movable asset lending, and very little experience, knowledge, or capacity to use movable asset finance within the financial sector The project supports to the Ministry of Justice to develop and implement an effective new Pledge Law, is working with the government to establish a modern, web-based registry, and has begun to conduct significant market development and capacity building activity including focus on industries specifically important to Mongolia such as agriculture and development of the supporting collateral management industry. The project is on track with progress on schedule.

Pacific CBs: In the Pacific region access to credit is a key financial and commercial growth constraint to individuals and small enterprises. Credit reporting services do not exist in some markets, and are underdeveloped in others where bureaus have limited coverage. The lack of reliable credit information also exacerbates over-indebtedness problems, especially where microfinance has grown quickly. The project addresses these needs through the introduction of new credit bureaus in the Samoan and Solomon Islands markets, and by strengthening the capacity and coverage of three other existing credit bureaus. After initial implementation delays the project is now progressing well. The Solomon Islands Credit Bureau was established and technical assistance delivery has begun for the existing credit bureaus in the project.

Philippines CB: While the Philippines financial markets are relatively well developed, there remain significant credit reporting services development needs in order to improve balanced and equitable access to finance in this large market. Before the project there was no centralized credit information system covering all categories of borrowers and other financial system users; the Credit information Corporation (CIC) established earlier was not used due to administrative barriers. The project will develop CIC systems and staff, and centralize information and processes from several existing smaller credit bureaus in order to create a comprehensive credit reporting entity which will effectively serve market needs and demand. The project is progressing well and activities, after an initial delay in one element, are on schedule.

Philippines ST: The Philippines banking sector, although generally well developed, does not provide adequate and balanced access to finance, in particular for smaller enterprises. One of the key reasons is weak development of the movable asset financing market which could provide a means for banks to lend to small enterprises with primarily movable assets on their balance sheets. There are problems in the underlying legal and regulatory framework necessary to establish claims and priority, registration is done at the local level with 168 separate registry offices, making it impossible to make a collateral registration inquiry covering large areas, and there is weak understanding of movable asset finance in the financial sector, inhibiting expansion and consequent improvement in MSME access to finance. The project is helping to write new regulations to establish clear movables asset collateral framework, will help consolidate the separate offices and create a modern web-based registration system by 2017, and targets 50 financial institutions in a program to promote movable asset finance and provide capacity building across the market. Initial project barriers arose due to lack of understanding with the government counterpart. However, the project was put back on track when the project team convinced the partner to collaborate.

Vietnam ST: While the previous project phase successfully improved the legal framework for consolidated movable asset collateral registration and established a web-based registration system, significant legal and regulatory framework, registry, and market development needs remain. The project is engaging with the Ministry of Justice and the National Registration Agency for Secured Transactions (NRAST) to revise the relevant sections of a new Civil Code, working with NRAST to increase the proportion of web-based users, which has remained low, and improve the quality and scope of MIS reports to respond to market demands, and conducting an extensive public outreach and market development program, including significant capacity building activities across the financial sector. In addition, the project team is supporting the development of the leasing industry as support to broader application of movable asset finance and potential extension to new borrower markets. Exploration of IPR lending through project outreach and knowledge sharing activities also provides potential for creating even broader access to finance.

Impact refers to positive and negative long-term effects produced by the project or program, directly or indirectly, intended or unintended.

The level of FIDP impact is excellent. Studies have shown that strengthening credit reporting and movable asset finance significantly improve the breadth and extent of access to finance and the efficiency with which financial products are delivered to individuals and enterprises. FIDP impacts are significant at every level, from the degree to which projects potentially affect overall bank lending scale and diversity in many countries, to the way in which FIDP outreach encourages key market decision makers and participants to adopt strategies and practices introduced through FIDP. Key project results measures, such as increases in inquiries and entities covered and additional finance facilitated for credit reporting projects, and growth in the number of firms using movable asset finance and the consequent increase in financing facilitated for secured transactions projects, indicate that impacts have already been significant.

The scale of FIDP impact is put in perspective through a few key figures:

- Over 25% of the world's people live in FIDP countries
- Total FIDP financing facilitated through December 2014 was just over USD 5 trillion
    - Compare: total year-end 2014 outstanding loans of all us banks was roughly USD 11 trillion
    - Compare: ICBC, the largest bank in the world, had a total loan portfolio of just over USD 1.7 trillion at year-end 2014
- Over one-half million businesses obtained movable asset-based loans as a result of FIDP projects , a result targeted to grow to over 2.5 million by the end of the projects

- Over 42 million new individuals and enterprises are covered by credit reporting service providers, a result targeted to grow to over 113 million
  - Compare: 42 million is roughly the population of Argentina
  - Compare: 113 million is more than the population of the Philippines.

From the perspective of the amount of new credit facilitated in FIDP country economies, the Cambodia Credit bureau project has an extraordinary effect, with a targeted amount of facilitated finance representing around 35 % of total 2013 bank lending to the private sector in the country; add the secured transactions project and the figure grows to almost 39%. Other countries with relatively high levels of financing produced include Vietnam, at 22%, and China at almost 18%.

The level of impact is strongly driven by the success of the China projects, which have already vastly exceeded financing facilitated impact targets. The Laos ST project exceeded financing facilitated target, although the amount is small in the context of overall FIDP amounts. The Vietnam ST project is also well along the way to exceeding outcome and impact targets. The Cambodia CB2 project, still at an early stage of the implementation period, has already exceeded targets for increased coverage and financing facilitated. Early achievement of impact targets is a strong signal that the eventual impacts will be significant, as impacts are commonly expected towards the end of implementation periods. Given these several projects with promising early results, in the opinion of the reviewer overall long-term FIDP effects and impacts can be expected to be excellent.

Sustainability refers to the likely extent of continuation of benefits from a project or program after assistance has been completed.

Key sustainability factors fall into three categories: (i) country macroeconomic and governance strength, (ii) willingness, capacity, and interest of project counterpart leaders and of market players to adopt project models, and (iii) progress to date as a possible indicator of future performance and overall client buy-in.

The overall level of FIDP sustainability is good. Outcome and impact achievement through December 2014 was strong, suggesting that institutions and markets affected by FIDP credit reporting and secured transactions projects are already developing well. Financial infrastructure is naturally sustained where there is value to the market and commercial incentives for maintaining systems, procedures, and market practices resulting from the project. Sustained project benefits will follow successful commercialization of the legal infrastructure, institutions and practices established by the project. However, long-term risks to sustainability, described below, exist and adverse events or conditions could develop which affect sustainability.

The overall probability that FIDP outcomes and impacts will be sustainable is good. On an aggregate basis the targeted level of additional financing made available to MSMEs has already been far exceeded, indicating a strong overall level of market demand for enhanced credit bureau products and services and increased movables asset financing in the region. Other outcome measures are also strong in many countries, indicating the degree to which benefits are valued and are being commercialized. However, there are issues and implementation problems in some projects, such that overall strong FIDP benefits sustainability entails some weak points.

Projects for which the likelihood is **excellent** that outcomes and impacts will be sustained in the long-term include China RMS CB and China Rural ST. Results have been exceedingly strong and macroeconomic risks are minimized by the size and good condition of the Chinese economy.

Projects for which the likelihood is **good** that outcomes and impacts will be sustained in the long-term include Cambodia CB2, Cambodia ST, Mongolia ST, Philippines CB, Philippines ST, and Vietnam ST3. These projects are on track and performing well or very well, but macroeconomic risks affect the probability that benefits are sustainable in the long-term.

Projects for which the likelihood is **adequate** that outcomes and impacts will be sustained in the long-term include Indonesia ST, Laos ST and Pacific CBs. The Laos and Pacific macroeconomic environments are significantly vulnerable, and the Indonesia ST project has not yet identified a strong strategy with which to develop the movables asset finance market.

Efficiency refers to the extent to which resources/inputs (funds, expertise, time, etc.) are economically converted to results. Risk assessment and management are also included as an efficiency factor in the evaluation framework.

The degree to which FIDP projects achieve efficiency, broadly defined to include risk management, is good. The level of efficiency in FIDP use of financial and human resources is excellent, due in part to FIDP capacity to deploy global experts over all projects through the planning and implementation periods, coupled with efficient teamwork with country project teams thoroughly knowledgeable regarding country needs and effective approaches to work. However, with respect to risk identification, in the opinion of the reviewer there are macroeconomic risks associated with small and vulnerable economies which are not fully reflected in project documentation. These risks reflect reasonably possible conditions that would likely adversely impact project long-term benefits and sustainability. Aside from the need to more fully consider such risks, overall FIDP risk management processes are good.

FIDP use of financial and human resources is excellent. One of the key approaches used to conserve budget resources is the use of IFC global experts and regional management whose expertise, experience, and fixed costs are spread over the entire FIDP project portfolio. IFC staff missions frequently cover several projects, improving efficiency. The composition of IFC program and project management, country teams, and the global expert team, has remained remarkably constant from program inception through December 2014, creating further operating efficiencies.

From the perspective of FIDP overall, extremely high levels of outcomes and impacts are expected to be achieved with the project budgets. Based upon project targets, for every USD of FIDP budget expenditure, over 155,400 of new financing facilitated is expected to be created and 16 new entities will be covered by credit bureaus. Only USD 4 is required in project budget investment to involve one new enterprise in movable asset finance. These values reflect remarkably high efficiency, driven in large part by the economies of scale created by the China projects which achieve massive results by virtue of both market size and successful project implementation.

Excluding the two China projects provides a perspective on program efficiency without the benefit of the size of the China markets. Efficiency is much reduced but remains excellent. Almost USD 5,000 in new finance facilitated is expected to be created for every USD spent, 3 new entities are covered by credit bureaus with resulting enhanced access to finance, and only USD 8 in project expenditures is required to bring a new enterprise borrower into the movable asset fiancé market.

With respect to risk identification and management, in the opinion of the reviewer there are significant macroeconomic risks associated with small and vulnerable economies which are not fully reflected in project documentation. These risks reflect possible conditions that could adversely impact eventual project long-term effects. Economic problems or decelerations in these economies would have a significant probability of either delaying or reducing the achievement of targeted project impacts and desired long-term effects.

Conclusions and Recommendations

Reviewer Observations and Lessons Learned

- The FIDP approach of broadly developing markets, rather than focusing only on an institution or a single product or service, leads to comprehensive and deep impacts as well as a strong foundation for sustainability. FIDP uses this approach for developing movable asset financing markets where factoring, leasing, and the collateral management industries are brought into the program in addition to bank sector work. In credit reporting projects FIDP is selectively developing consumer protection frameworks that complement and reinforce financial inclusion. In the future, FIDP plans to target development of the second-level credit reporting industry sub-sector providing specialized credit information, which will deepen and expand the market. Focus on a single institution constitutes weak approach, and can lead to the kind of failures that IFC has been asked to resolve such as previous credit bureau work in Cambodia (done by another donor).

- FIDP projects are planned and implemented in the context of a dynamic environment of developing markets, uncertain and fluid political backgrounds, evolving partner priorities, and the disruptions created by FIDP interventions which transform institutions and markets in the long term. This requires flexibility in the way projects are implemented and essential partner relationships are developed and managed. It also requires constant work to adapt in order to achieve objectives. Changes in project approaches and tools are constructive parts of this constant adaption process.

- Public-private partnerships can provide an ideal credit bureau institutional structure, with government providing the necessary enabling environment and the private sector, normally financial institutions and credit bureau operators, providing technical and managerial expertise as owners and developers. The credit bureau structures in Cambodia and in the Philippines are two good models.

- In the past, bankers in developing Asian economies generally placed little trust or value in borrower accounts receivable or inventory compared to fixed assets. Further, they view common legal system weaknesses related to foreclosure as compounding risks to the point that it can be initially difficult to convince them to accept movable asset financing as a profitable business model. The FIDP team and the reviewer view these issues as a "banking culture" barrier which has been difficult to break through in some countries. During field trip bank interviews the reviewer noted resistance in some places to the adoption of movable asset lending. The reviewer concurs with the FIDP team that changes in lending cultures must be effected along with delivery of the capacity building and other market development activities necessary for movable asset financing to expand significantly. This would require a greater focus on financial sector work as well as attention to activities designed to change attitudes at the top levels of financial institution strategy, policy and decision making.

- In particular for secured transactions development, full potential impacts cannot be achieved without intensive financial sector capacity building beginning at the executive and manager level. The need to change "banking culture" should be initially addressed through a combination of senior bank executive activities and high quality advocacy work at the industry level. This must be followed by real and comprehensive market development work involving a full range of advocacy, peer sharing, and capacity building activities.

- The regional approach used in FIDP works very effectively. There is knowledge, idea, and experience cross-fertilization among country projects through the significant involvement of global experts and the FIDP program leader, as well as through project activities providing venues for clients to directly learn from one another about the experience of other countries. In addition to regional activities organized by FIDP with specific objectives for specific individuals or groups, activities in conjunction with APEC have become increasingly productive for advocacy and outreach. A second dimension of cross-fertilization is created through the teamwork among different disciplines and among the more experienced and relatively new IFC staff members. The result is an environment where everyone has particular expertise, and possibly experience, to contribute, and where such contributions are made.

- As banking sectors learn about and adopt movable asset finance as a way to expand business, there appears to be an evolutionary pattern in which banks first use movable asset financing for only their best customers, which tend to be medium sized enterprises or larger, and take movable asset collateral in addition to the traditional fixed asset collateral such as land and buildings. From a risk management perspective this is a prudent approach. In addition to providing more collateral (a general banking rule with few exceptions: take all the collateral you can get) and better knowledge of borrower operating cycles, it gives the banks experience with movable asset collateral lending while maintaining risk profiles they are comfortable with. As banks grow comfortable with the movable asset financing element of these loan packages they will grow more willing to accept movable assets as the sole collateral and, through this process, gradually lend to smaller enterprises with only movable assets to offer.

- The combination of strong local country team quality and specialized global and regional expert capacity is a key determinant to project success. Both are necessary.

- Country macroeconomic risks could significantly affect long-term project outcomes and impacts, and be better articulated in project documents and more substantially reflected in terms of their potential impacts. These risks are particularly relevant given the vulnerabilities in many FIDP country economies coupled with an uncertain medium-term outlook for healthy global growth and stability.

Recommendations

Recommendations have been divided into those which could, in principle, be considered and adapted for implementation in the near term, and those which would be better considered and developed over the medium and long term. The categories do not imply priority, rather, practical aspects related to possible development and adoption.

Recommendations for near-term consideration

- Applied to both credit reporting and movable asset finance projects, development of special approaches to private and government senior executive advocacy activities and capacity building, such as visits to other EAP region institutions, attendance at regional or global conferences, meetings with relevant senior counterparts in other countries, etc, could be productive.

- With the exception of the Chinese banking sector, the reviewer does not see sufficient value in promoting intellectual property rights lending, especially in problematic banking sectors where the introduction and expansion of even basic movable asset financing faces challenges. The Vietnamese banking sector, for example, is under considerable pressure due to sector restructuring and consolidation, governance reform and privatization, and a bad loan problem that is certainly much worse than acknowledged. The combination of these factors likely dominates senior executive attention as well as working level managers receiving instructions from executives tasked with surviving these pressures. While the idea of introducing intellectual property rights lending is logical and promising, the timing is generally not ideal in the opinion of the reviewer. IPR lending warrants eventual development as an element of movable asset finance, and could be introduced in later phases.

- Country macroeconomic risks should be more fully reflected in project documents and their potential impacts given more consequence. The weaknesses of small, under diversified, vulnerable economies such as those of Laos, Cambodia, Mongolia and the Pacific country group present significant risks to achievement of long-term impact objectives and sustainability. Macroeconomic risks and their potential effects on financial and commercial sector growth and development appear to be worth consideration in light of regional and global economic issues.

- For early stage interventions in an economy, qualitative targets such as the approval of a law or regulation or the establishment of a credit bureau are more important than quantitative targets. It is not realistic to set ambitious targets, for example the number of MSMEs reached, in the early stage of a project.

- In the current project design and planning process, results targets are precisely set in the Project Plan, before beginning the implementation period. Results targets can then be reasonably modified during the first year of implementation, after which a more involved approval process is necessary for making changes. The reviewer suggests consideration of an approach to setting results targets which might allow for better informed target setting. Rather than setting precisely quantified detailed targets at the Project Plan stage, guidance targets could be agreed upon which reflect the same reasoning and knowledge that would be applied in setting precise targets, then precise targets could be set out in the second Supervision Report which reflect learning and progress through the first year of implementation. Guidance targets could be expressed as “base case” expectations or as narrow ranges around base case expectations. The average project implementation plus post-implementation period is 6.3 years. Thus under a process applying guidance targets to begin implementation, the precise results targets would be set roughly 15% of the way through the overall period in which results are expected to be achieved, and before the late-implementation period during which outcomes and impacts can begin to be rapidly achieved. The lag might be worth the opportunity to structure and quantify targets based upon a better understanding of project dynamics and counterparty expectations.

Recommendations for medium and long-term consideration

- Include the creation and development of local capacities and local market institutions such as collateral management companies, supply chain finance platforms, etc, in project design and implementation in order to strengthen sustainability.

- Given the sustained, substantial, and complex efforts required to achieve financial sector capacity building and overall market development results, it might be productive if someone from within the

FIDP or global expert team, or an outside expert integrated into FIDP planning and implementation, could assume an FIDP market development expert or coordinator role. While the expertise necessary to plan, design, and conduct these activities already exists within the FIDP management and global expert structure, the person in this role could more fully assess country needs, make recommendations to apply approaches and employ methods and activities that prove most successful across the FIDP geography, and in particular monitor and assess ongoing results in such a way that market development strategies and activities could be modified as needed in a timely manner in a well-managed, program-wide process.

- During MTR field visits clients almost always requested a greater amount of intensive capacity building, which could be delivered as a component of overall market development. Regular inclusion of Training of Trainers within financial institution partners as well as within institutions participating regularly in IFC seminars could also enhance the rate at which, and the extent to which, movable asset financing is accepted and adopted. Project design could also incorporate checks to determine the rate at which institutions are absorbing and using movable asset finance.

- In the approach to introducing movable asset lending and convincing bankers to enter or expand the movable asset finance market, it could be productive to anticipate that bankers will first use movable asset collateral with their strongest larger customers and in conjunction with taking traditional fixed asset collateral. In-depth advisory programs could incorporate a first step where institutions intentionally apply this mixed approach, making it easier to begin with larger borrowers to build movable asset lending skills and experience and to eventually begin accept movable asset collateral with smaller borrowers. The mixed approach could be generally and formally incorporated into financial sector capacity building and overall market development strategy.

  - ***Focusing on Vietnam:***

    The Vietnam ST project is making very strong progress despite the challenges of an underdeveloped and troubled financial sector. Barring political or economic shocks, project objectives and targets will likely soon be exceeded. We can look at addressing needs further into the future. The FIDP country team has a particularly close and productive working relationship with Vietnam Bankers' Association (VNBA) and FIDP has successfully developed an influential working relationship with APEC. VNBA has historically had a substantial working involvement with APEC financial sector capacity building programs. It would be interesting to explore possibilities for joint regional outreach activities organized through APEC and involving VNBA, thus substantially strengthening an important local institution through the development of local capacity to continue to promote and support movable asset lending market development in the long-term. Regional peer learning would also be enhanced, advancing program objectives.

- ***Focusing on Indonesia:***

While working relationships with key partners have been strengthened and meaningful progress made in legal and regulatory environment improvement and registry integration and centralization, the Indonesia ST project is at a point where strategy development is needed to expand the movable asset financing market. Initial focus is on financial sector capacity building delivered broadly across the banking sector. This could constitute the core element of a more comprehensive strategy for overall market development, which could possibly include areas such as supporting services, for example the collateral management industry, non-bank financial institutions, for example leasing companies, and development of movable asset finance products adapted to important Indonesian sectors such as agriculture (as is being done in Mongolia and Cambodia). While banking sector engagement with this project poses challenges, a strategy to expand the movable asset financing market could employ peer pressure to influence and move opinions, as was done in the Philippines when government partners were brought into APEC activities, creating pressure in a high-level environment which eventually achieved results. Is there an APEC – based financial institutions group the country team could leverage in order to induce senior Indonesian financial institution executives to reinvigorate growth in movable asset financing?
