

PROJECT TO STRENGTHEN BANK SUPERVISION

(TC-98-02-44-9)

EXECUTIVE SUMMARY

Beneficiaries: Guatemalan consumers of financial services and the Superintendency of Banks (SB).

Executing agency: The Superintendency of Banks

Objectives and components: The general objective of the Project is to improve the solvency, efficiency and transparency of the Guatemalan banking system. The specific objective is to strengthen the Superintendency of Banks so that it will be able to implement and enforce the new law.

The project has two components. The first component is to draft the regulations that are required by the new banking legislation. The second is to upgrade the inspection and accounting manuals, and the information systems in order to enable the SB to supervise all of the entities in a financial system on a consolidated basis.

Financial terms and conditions:	Modality:	Non-reimbursable (Facility I)
	MIF	US\$ 1,000,000 (62%)
	Local	US\$ 600,000 (38%)
	TOTAL	US\$ 1,600,000

Special contractual conditions: The first disbursement of the Project funds will be made following the delivery of an acceptable work plan, setting out the tasks contained in the Logical Framework analysis along with estimates of the time required for each task.

The Bank may recognize counterpart costs incurred by the Beneficiary prior to the approval of the project in an amount not to exceed the equivalent of US\$161,000. (see paragraph 5.2.)

Exceptions to Bank policy: None

Environmental/social impact: The Committee on Environment and Social Impact (CESI) reviewed and approved the proposed Project at its meeting on November, 2001 (TRG 42-01). The Project is not expected to have social or environmental impacts.

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 Guatemala was declared eligible for all forms of financing by the Multilateral Investment Fund on March 30, 1995. The proposed project is eligible for MIF financing under the Technical Cooperation Facility. Supporting innovative approaches for effective training of supervisory personnel and promoting a consolidated supervision of the Guatemalan banking sector is a clear priority for the MIF. These efforts will help to enhance the private sector's activities and will contribute to increased economic growth.

II. BACKGROUND

- 2.1 The Guatemalan banking system is comprised of many small and, for the most part, locally-owned institutions. There are 31 banks in the system with an average size, measured in total assets, of the equivalent of US\$230 million. Two of these are foreign banks and there is one government-controlled bank.
- 2.2 The banking system in Guatemala is in delicate condition due to the macroeconomic instability that existed during the 1998-2000 period and to the inability of the authorities to supervise the system under the banking legislation that existed until a new banking act was passed by Congress in January 2002. Under the old legislation the Superintendency of Banks (SB) did not have the powers they required to exercise a proper control over the sector and as a result, lending to related parties was common, provisions for lending risks were inadequate, and non-performing loans increased substantially. Furthermore, many transactions that occurred within the country were booked in off-shore affiliates of the local bank, or in other entities controlled by the same financial group, out of sight of the tax and supervisory authorities. Some analysts estimate that half of the total assets and liabilities of the banking system were booked in these entities. In this poorly-regulated and supervised environment, three banks became insolvent and were intervened by the authorities.
- 2.3 During the last two years the macroeconomic situation has been much more carefully managed. The exchange rate has stabilized, interest rates have fallen and international reserves have grown. Consequently this source of the banking sector's problems has been eliminated for now. To help solve the problems caused by the weak legal framework, the Bank, using both technical assistance (ATN/SF-6178-GU) and administrative resources, has been supporting the work of the Superintendency of Banks (SB) and the Central Bank of Guatemala (Banguat) to modernize the country's financial laws. This support has been given directly by the Bank and also through the Bank's participation in a World Bank/IMF Financial Sector Assessment Program (FSAP). The FSAP analyzed the banking sector in some considerable detail and provided technical assistance to finish the preparation of the new legal framework.

- 2.4 One result of these efforts has been the drafting and the recent enactment of the new banking act. The new act provides a much stronger foundation for banking supervision and regulation by restricting related party lending, requiring the provisioning of problem loans in a manner consistent with international standards, requiring all offshore banks to be subject to supervision if they carry on activities in Guatemala.
- 2.5 The new law recognizes the existence of financial groups, that is, a number of related financial companies tied together through ownership or shared control. This is a common practice in many countries, but it puts an additional burden on the supervision process because the group companies must be supervised on a consolidated basis in order to ensure that risks in the non-bank members of the group do not affect the solvency of the bank. Before the passing of this law, the SB had the responsibility for the supervision of banks, finance companies, insurance companies, and others within the financial sector, but as separate institutions. Now it must supervise the individual entities and the financial group as a whole. The new law is expected to be signed by the President soon and will become effective eight days after it is published in the Official Daily.
- 2.6 Work will begin immediately on drafting the regulations. Additionally, the SB will have to modify its supervisory tools and its work methods, in order to conform to the requirements of the new law, and create new tools including those related to the supervision of the microfinance lending activities of the banks. The SB has requested the technical cooperation project described in this memorandum so that it can draft and issue the regulations and upgrade its tools and practices in a timely fashion in order to implement the new law.
- 2.7 The proposed project is consistent with the Bank's strategy for Guatemala, as expressed in the Country Paper (CP). The CP describes the weaknesses in the financial sector and recommends that the Bank give a high priority to projects and programs designed to stabilize the sector. Strengthening the Guatemalan authorities capacity to supervise the financial system will help to establish a sound financial and economic framework for the country, helps to enhance the private sector's activities and increases economic growth. The proposed technical assistance program for the SB is included in the operative plan that the CP sets out for the year 2001.

III. PROJECT OBJECTIVES AND BASIC COMPONENTS

- 3.1 The general objective of the Project is to improve the safety and soundness of the Guatemalan banking system. The specific objective is to strengthen the Superintendency of Banks in order to enable it to implement and enforce the new law. To achieve this objective, the Project will support the SB's efforts to draft the regulations for the new law, to upgrade the SB's supervision tools and practices, and to train the staff of the SB to use the regulations and the tools to supervise financial groups on a consolidated basis.

1. Component 1. Regulating the new law (MIF US\$ 128,000: Local US\$213,000).

- 3.2 Thirty-eight regulations must be drafted and approved in order to implement the new law. Under the new legislation the SB drafts and proposes the regulations and the Monetary Board (MB) approves them. (The MB is the body that governs the central bank and the SB.) A list of these regulations is appended to the Project's Logical Framework analysis.
- 3.3 Resources for this component will be used to hire four consultants to draw up regulations that the banking act requires in the following areas: (i) portfolio risk management; (ii) accounting and auditing; (iii) the resolution of problem banks (i.e., the strengthening of institutions suffering from temporary capital problems or the intervention and liquidation of institutions suffering more serious problems); and (iv) the supervision of the risks of lending to small and micro borrowers. The same consultants will train the staff of the SB and the staff of the banks themselves and will hold a seminar to disseminate the regulations and explain their effects and purpose to other interested parties.

2. Component 2. The upgrading of supervision tools and practices and training in consolidated supervision (MIF US\$ 771,000: Local US\$381,000).

- 3.4 The new law requires a more thorough and sophisticated supervision than that required by the previous legislation. The most notable change is that the SB is now required to supervise all of the companies in a financial group on a consolidated basis, including the group's bank, insurance company, the exchange house, the securities broker/dealer, the finance company, etc. This complex undertaking requires the SB to upgrade its tools, that is, its information systems and the inspection manuals, that it uses to supervise the entities. A Senior Consultant will be hired to guide this process and four activity-specific consultants will be hired to assist with the activities described below. The consultants will also train the staff of the SB to use and maintain the upgraded information system and the new inspection and accounting manuals.
- 3.5 The first activity is to upgrade the SB's supervisory systems hardware and software. The SB uses three main software tools to gather and process information on the financial system. The Financial Information System (FIS) is a large database that receives financial and economic information from the regulated entities, the central bank and from the SB itself. The FIS stores the information that is used by the other SB software applications to analyze institutions, classify them, and alert the SB to problems in the supervised institutions.
- 3.6 The Early Warning Indicators System (EWIS) and the Risk Management System (RMS) are programs that manipulate the information contained in the FIS. The EWIS produces information on individual banks that is designed to reveal

problems before they occur. The RMS performs a detailed analysis on the bank's loan portfolio and other risk assets and produces the risk classification that is appropriate for a loan and the reserves that the bank must hold against it to protect against losses. Additionally, the RMS assigns each bank to one of five risk groups. These tools, which have been in use by the SB on the banks for some time, must be upgraded so that they can be applied to all of the companies in a financial group on a consolidated basis.

- 3.7 At the same time, improvements in communications hardware and software as well as in database software will be required. This will enable the SB to handle the increase in the number of reporting entities and the increase in the amount of information that each institution is required to report.
- 3.8 The second activity in this component is to rewrite the on-site and off-site inspection manuals to reflect the steps that will need to be followed in order to conduct supervision on a consolidated basis. Two consultants will be hired for this activity. Lastly, the manual of accounting principles will need to be written to reflect the adoption of the International Accounting Standards for financial institutions.

IV. EXECUTING AGENCY AND IMPLEMENTING MECHANISM

A. Executing Agency

- 4.1 The Superintendency of Banks will be the executing agency. The SB is a semi-autonomous agency that is responsible for the inspection and supervision of all financial intermediaries in the banking and insurance sectors. It is governed by the Monetary Board, in accordance with the constitution of the Republic and the laws that govern the financial sector.
- 4.2 Technically the SB is a strong institution with a dedicated staff of well-trained experts in the various areas that support the activity of financial sector supervision. The SB has executed a Bank-funded technical assistance programs before, these programs were executed with efficiency and produced good results. More significantly, the SB last year planned and played a primary role in the execution of three bank interventions. This was the first time in twenty years that a bank was intervened in Guatemala. The interventions were successfully executed and the problems of these institutions were contained.

B. Implementation mechanism

- 4.3 The Systems and Studies Department of the SB (SSD) will manage the execution of the project. The Intendente of the Department will have the overall responsibility. He will draw on the line staff of the Department and of other departments as appropriate for assistance in the execution of the project. It is not considered necessary to form a project executing unit because the tasks and skills involved (hiring and managing consultants and doing regulatory and systems

work) are part of the normal functions of the SB. Time spent by the Department staff, as well as the time spent by other staff members of the SB on this project will be recognized as in-kind contribution of the local counterpart.

- 4.4 The SSD will prepare an action plan for the execution of the Project based on the Project's Logical Framework. The SSD will be responsible for developing the terms of reference to guide the work of the consultants, for contracting the consultants and purchasing such other goods and services that the Project requires. They will also monitor the execution of the Project, coordinate with the other agencies to implement the Project activities and will prepare periodic reports on the activities and on the use of resources in the execution of the Project.

C. Execution Period

- 4.5 The Project will be executed during a period of 36 months from the signing of the agreement with the MIF and disbursed within a period of 40 months. Following the presentation of an action plan for the Project's activities, and the acceptance of the plan by the Bank's Representation Office, the MIF will advance 10% of the amount of the donation to establish a revolving fund.
- 4.6 **Accounting and Audit.** The SB will be responsible for the following: a) establishing and maintaining adequate accounting and financial records that identify the sources and use of the Project's funds; (b) opening separate and specific bank accounts for managing the MIF contribution and the local counterpart funds; c) processing disbursement requests; and (d) submitting to the Bank the Project's audited financial statements. Within 90 days following the final disbursement, SB will submit to the Bank the financial statements of the Project certified by an independent auditing firm acceptable to the Bank. The audit will be carried out under the Bank's external audit requirements (Documents AF-100 and AF-300) based on terms of reference approved by the Bank.

V. COST AND FINANCING

- 5.1 The total cost of the Project is US\$1.600 million. This would be funded by MIF non-reimbursable resources from Facility I (Technical Cooperation Facility) of US\$1,000,000 and local counterpart resources of US\$600,000. At least half of the counterpart resources will be contributed in cash. The major part of the MIF financing will be used to hire specialized consulting services. An estimated amount of US\$470,000 of the total project will be used to purchase the equipment required to implement the Project activities. Much of this will be financed by the local counterpart.
- 5.2 Because of the urgency of getting the regulations in place and implementing some technological aspects of the project, the SB started implementing the project in late 2001. Consequently they have requested the Bank to recognize certain counterpart costs for activities contained in Components I and II of the project that were incurred after October 1, 2001 but before the date of approval of the

project, where the Beneficiary has complied with requirements substantially similar to those established in the Agreement of Technical Cooperation. The maximum amount of the counterpart costs to be recognized retroactively is US\$161,000.

COMPONENTS	MIF	COUNTERPART	TOTAL
Component 1	\$128,000	\$213,000	\$341,000
Drafting regulations	107.000	100.000	207.000
Training to implement reg.	21.000	113.000	134.000
Component 2.	\$771,000	\$381,000	\$1,152,000
Preparation of manuals	195.200	90.000	285.200
Upgrade analytical tools	305.800	91.000	396.800
Hardware	200.000	105.000	305.000
Software	70.000	95.000	165.000
Administration	101,000	6,000	107,000
Project evaluation	45.000	5.000	50.000
Auditing	6.000	1.000	7.000
Contingencies	50.000		50.000
TOTAL	\$1,000,000	\$600,000	\$1,600,000

VI. PROJECT JUSTIFICATION AND RISKS

A. Projects Benefit and Development Impact

- 6.1 The proposed project supports the first major change in 56 years in the country's financial legislation. Given the delicate state of the banking system, as evidenced by the recent banking failures, the changes supported by this project are urgently required. The proposed Project will result in better supervision and regulation of the financial system. As a result of the improved supervision, the overall level of risk in the financial system should be reduced. This will help to protect depositors from losing their savings and should help to lower the overall level of interest rates in the country. The protection of savings and the hoped for lowering of interest rates are important benefits for the private sector in Guatemala. The MIF Working Group Report (MIF/GN-56) has identified financial market development as one of the MIF's core activities. MIF's quick intervention using grant resources is considered to be important in this project because of the necessity to regulate the new law and upgrade the tools of supervision as quickly as possible. It will enable the SB to implement the new law quickly, without risk of funding delays that could occur if the country's scarce budgetary resources were utilized. (This will be the MIF's first project with the Superintendency of Banks.)

B. Beneficiaries

- 6.2 The direct beneficiary of the Project is the SB itself, and the indirect beneficiaries are the consumers of financial services.

C. Risks

- 6.3 The passage of the new law eliminates many of the risks to a successful implementation of the proposed project since the law requires the executing agency to execute the activities that are the focus of this project.
- 6.4 There is a risk that the Monetary Board will not pass the regulations that are required to implement the law. However, the SB has worked closely with the MB during the drafting of the new law and as a result no problems are foreseen regarding the approval of the regulations for the law. This risk will be further mitigated by the increased degree of independence that is expected to be given to the President of the Central Bank by the new Central Bank Act that the Congress is considering. Since the President of the Central Bank is also the President of the MB, the MB should have the leadership and independence that it requires to regulate these laws in an effective and non-political manner.

D. Environment and social aspect

- 6.5 The Environmental and Social Impact Committee (CESI) considered the Project on November 2, 2001 (TRG 42-01). The proposed project is directed at financial sector supervisory practices and is not expected to have any environmental or social impact.

VII. MONITORING AND EVALUATION

- 7.1 The execution of the Project will be supervised by the Representation Office in accordance with the Logical Framework contained in Annex I. To facilitate this supervision, the executing agency will prepare a report every six months setting out the activities undertaken during the period, along with an indication whether the activity was completed or is still being executed. Additionally, the report will provide an indication of difficulties encountered during the period and actions taken to solve them. The report will also set out the activities to be undertaken during the next six months. The progress report will be delivered to the Representation Office within 30 days following the end of the corresponding semester. The Representation Office will use these reports to monitor the Project and to prepare a final report on the results of the Project no later than three months after the final disbursement.
- 7.2 In addition to the six-monthly reports described above, the executing agency will provide the Representation Office with copies of all reports and documents prepared by the consultants retained for the execution of the Project. These items will enable the Office to follow the Project during the six-monthly periods and will also serve to support disbursement requests.
- 7.3 The Bank will hire individual consultants to conduct a mid-term evaluation of the Project once 50% of MIF funds have been disbursed and a final evaluation three months after the end of the Project and prior to the final disbursement. The

evaluations will cover: (a) the degree of completion of the scheduled activities and attainment of the supervisory indicators set forth in the Logical Framework; and (b) performance of the Executing Agency.

VIII. EXCEPTION TO POLICIES AND PROCEDURES

- 8.1 There are no exceptions to the Bank's policies.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 The first disbursement of the Project funds requires that the new banking act be in effect and the delivery by the SB of an acceptable work plan and timetable for the activities of the project.
- 9.2 **Project Readiness.** The SB has prepared the Project, its budget and logical framework analysis during the last six months in anticipation of the passage of the new law. In addition, the SB has identified the regulations that need to be issued and has produced drafts of the terms of reference for the consultants that will help with the drafting of these regulations (Component I), as well as those that will help the SB to upgrade the tools of supervision (Component II). The Project is therefore in an advanced state of readiness.

Logical Framework

Technical Cooperation Project for the Superintendency of Banks

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
and sound banking system.	<ul style="list-style-type: none"> • Banks, financial groups and financial group companies are complying with : <ul style="list-style-type: none"> • Capital requirements • Reserve requirements and required reserves • Lending limits for related parties. 	<ul style="list-style-type: none"> ▪ The banking act and regulations have been published and disseminated. ▪ Periodical reports of the Superintendency of Banks (SB). 	<ul style="list-style-type: none"> ▪ The banking act and related have been approved by the and the Monetary Board (MB) ▪ Macroeconomic policy has b
the SB and modernize the network to reflect international bank supervision.	<ul style="list-style-type: none"> ▪ The (SB) has implemented the banking act and the regulations called for in the it. ▪ The new functions of the SB under the new banking act are being consistently applied. ▪ Sanctions are being applied according to the law. ▪ The SB is carrying out risk-based consolidated supervision based. 	<ul style="list-style-type: none"> ▪ Audit reports and information of the SB. ▪ Resolution and imposition of fines by the SB. 	<ul style="list-style-type: none"> ▪ The Congress has app Banking and Financial Group ▪ The SB is given the resources needed to imp legislation. ▪ The SB receives the politi necessary to carry out its fun
and implementation of the for the new banking act.	<ul style="list-style-type: none"> ▪ Eleven priority regulations have been presented and approved by the MB. ▪ Four priority regulations have been presented and approved by the SB. ▪ Twenty-three non-priority regulations have been presented and approved by the MB and/or the SB within four months after the law becomes valid. 	<ul style="list-style-type: none"> ▪ Resolutions of the MB and instruction circulars of the SB. ▪ SB resolutions. 	<ul style="list-style-type: none"> ▪ The MB approves the regulat
the tools (software tools, and analysis manuals) and of supervision to enable the perform consolidated	<ul style="list-style-type: none"> ▪ The SB has implemented tools for consolidated supervision. 	<ul style="list-style-type: none"> ▪ User manuals, inspection and analysis manuals. 	<ul style="list-style-type: none"> ▪ The MB has approved the re with the consolidated Superv

Logical Framework

Technical Cooperation Project for the Superintendency of Banks

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p>implementation of the new banking act.</p> <p>Terms of reference for the consultants to draft the regulations (list of regulations is attached).</p> <p>38 regulations.</p> <p>Department of Studies has drafted the regulations based on the terms of reference of the consultants and SB presented them to the technical advisor of the SB. The regulations have been approved by the MB and approved by the MB.</p>	<p>1.1 The terms of reference have been drafted.</p> <p>1.2 One consultant has been hired to draft the 15 high-priority regulations and three consultants have been contracted to draft the 23 non-priority regulations. This should occur in the first month after the new law becomes valid.</p> <p>1.3 Three months after the law becomes valid, eleven priority regulations are ready to be presented to the MB and four to be presented before the SB.</p> <p>Four months after the validity of the law, 23 non-priority regulations are ready to be presented to the Department of Studies.</p> <p>1.4 Five months after the validity of the law, 38 regulations are ready to be presented to the MB and/or the SB.</p> <p>1.5 Five months after the approval of the law, 38 regulations have been approved by the MB and/or the SB.</p>	<p>1.1 The terms of reference with no-objection from the IDB.</p> <p>1.2 The service contracts of the consultants and no-objection from the IDB.</p> <p>1.3 Drafts of the regulations.</p> <p>1.4 Drafts of the regulations and memo to the technical advisor.</p> <p>1.5 Resolutions of the MB and agreements of the SB</p>	<p>1.1 The law has been approved by Congress of the republic.</p> <p>1.2 Good consultants are available.</p> <p>1.3 Good consultants and their counterparts within the SB are available.</p> <p>1.4 The SB has a Department of Studies and a technical advisor with sufficient technical capacity to evaluate regulations.</p> <p>1.5 Availability of budgetary resources.</p>

Logical Framework

Technical Cooperation Project for the Superintendency of Banks

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p>staff of the Analysis, Bank, Insurance Supervision and the Departments in the of the new regulations.</p> <p>staff of the banks and companies in the new law and</p> <p>the new law and through publications and</p> <p>ssion within the SB is the implementation of the regulations.</p>	<p>1.6 At least 150 staff members of the Departments have been trained.</p> <p>1.7 12 months after the approval of the law, at least 150 staff members have been trained.</p> <p>1.8 Two seminars with the participation of at least 300 persons have been held and 1000 examples of the new law and regulations have been printed within 12 months of the approval of the law.</p> <p>1.9 The Commission has been functioning during the 12 months following the approval of the law.</p>	<p>1.6 Lists formally signed by the course participants and reports on the execution of the project's budget.</p> <p>1.7 Lists formally signed by the course participants and reports on the execution of the project's budget.</p> <p>1.8 Lists formally signed by the course participants and reports on the execution of the project's budget.</p> <p>Printing bills for the published law and regulations.</p> <p>1.9 Memo from the Superintendent naming the Commission and periodic reports of the Commission.</p>	<p>1.6 Good consultants are available.</p> <p>1.7 The banks and finance respond to the invitations to sessions.</p> <p>1.8 The public responds to the invitations to the seminars.</p> <p>1.9 Persons capable of carrying out the Commission's work are available in the SB.</p>

Logical Framework

Technical Cooperation Project for the Superintendency of Banks

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
<p><u>II: Update the tools, inspection and analysis practices of supervision the SB to perform supervision.</u></p> <p>of reference for the of five consultants, one to have overall ty as project leader.</p> <p>five consultants with in the analysis and of financial groups and d supervision. The will:</p> <p>te the software tools used SB (SIF, SIAT, SUPER nd establish a work plan to them to consolidated ision. (This task will be y the consultant selected to e this component.)</p> <p>p off-site manuals and ures for consolidated ision.</p> <p>p on-site manuals and ures for consolidated ision.</p> <p>e the manual of accounting es.</p> <p>p procedures to use in ising the microfinance es of regulated entities.</p> <p>p programs and ures to use to supervise the al groups.</p> <p>the staff of the SB in</p>	<p>2.1 Upon approval of the law, the TORs will have been drafted.</p> <p>2.2 Five consultants have been contracted in the first six months after the approval of the law.</p>	<p>2.1 The TORs and the no-objection from the IDB.</p> <p>2.2 Service contracts and reports form the consultants.</p>	<p>2.1 The law has been approved.</p> <p>2.2 Good consultants are available</p>

Logical Framework

Technical Cooperation Project for the Superintendency of Banks

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTION
dated supervision and in supervision of microfinance).			
counterpart staff to work with ants.	2.3 Within week of hiring the consultants the Superintendent names counterpart staff.	2.3 Memorandum from Superintendent.	2.3 Availability of good counterpart
s and SB counterparts tputs.	2.4 Within year of hiring of consultants, upgraded software tools (SIF, SIC, SUPER, SIAT) have been produced. Within year of hiring of consultants, new on-site and off-site supervision manuals and new accounting principles manual have been prepared.	2.4 User manuals, software disks, inspection and accounting manuals.	2.4 Consultants and staff counte effectively.
on and approval by the SB nts of the consultants.	2.5 The tools, procedures, manuals and other tools of consolidated supervision have been accepted by the SB.	2.5 Agreements, manuals and instructions of the SB.	2.5 Good consultants are availab
he hardware and software to implement the lations of the consultants.	2.6 Communications, web and database hardware and software installed and fully functional one year after the approval of the law.	2.6 Payments under the hardware and software installation agreements.	2.6 Availability of hardware, so technicians to install it.
staff of the SB in the use of ls.	2.7 12 months after the new law comes into effect at least 50% of the staff of the Analysis, Banking Supervision, Insurance Supervision and Technical Studies, (aprox. 150 staff)) have been trained in the use of the new tools.	2.7 Signed lists of attendance at the training classes.	2.7 Adequate response of the SB

PROPOSED RESOLUTION

GUATEMALA. NONREIMBURSABLE TECHNICAL COOPERATION FOR THE
PROJECT TO STRENGTHEN BANK SUPERVISION

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Superintendencia de Bancos, and to take such additional measures as may be pertinent for the execution of the project memorandum contained in Document MIF/AT-_____ with respect to a technical cooperation for the project to strengthen bank supervision.
2. That up to the amount of US\$1,000,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.