

**STRENGTHENING THE CAPACITY OF THE SUPERINTENDENCY OF BANKS AND INSURANCE
TO SUPERVISE MICROFINANCE INTERMEDIARIES**

(TC-99-05-05-3)

EXECUTIVE SUMMARY

Executing agency:	Superintendency of Banks and Insurance	
Project number:	TC-99-05-05-3	
Beneficiares:	The Superintendency of Banks and Insurance (SBS) and micro and small enterprises in Peru.	
Financing::	Nonreimbursable (I-A)	
	MIF:	US\$1,000,000
	Local:	US\$ 667,000
	Total:	US\$1,667,000
Purposes:	<p>The general purpose of the project (Technical Cooperation - TC) is to improve access to financial services for low-income earners. Specifically, it will strengthen the SBS's supervision of micro financial institutions (MFIs) so that it will be able (i) to guarantee effective supervision that will promote incorporation of the MFIs into the financial system; (ii) to identify risks to which the MFIs could be exposed, and (iii) to protect the interests of savers and prospective low-income borrowers in Peruvian society.</p>	
Description:	<p>The Technical Cooperation comprises three programs: firstly, a program of visits for inspection and audit with external support; secondly, a long-term program of theoretical and practical training on the supervision of microfinancing institutions, and thirdly, a program for evaluation of the external and internal barriers confronting the SBS in its supervision of MFIs. The specific activities under the TC would be (i) identification in the inspection visits and programmed evaluations of the weaknesses and strengths of the MFIs and those of the supervision mechanisms employed by the SBS at present; (ii) instruction and training of the SBS's technical staff in appropriate financial technologies for the addition of external knowledge and experiences, and</p>	

(iii) improvement of the evaluation systems that define the frame of reference of the operations of microfinancing entities.

**Execution
timetable:**

Execution period: 48 months
Disbursement period: 60 months

Risks:

The principal risks facing this TC are (i) a lack of personnel engaged full-time in the supervision of MFIs to coordinate this project, and (ii) the possible resignation of technical staff members of the SBS once they have completed the training. However, the SBS plans to mitigate these risks, on the one hand by entrusting the coordination of the project to a highly qualified technician, and on the other hand by offering its personnel excellent opportunities for professional development. In addition, one of the conditions that the Government must comply with for disbursement of Sectoral Financing Loan II is the granting of budgetary autonomy to the SBS so that it will be able to offer competitive remunerations (see paragraphs 1.27 and 2.20-2.21 of the Proposal for Sectoral Financial Loan II - PE 0202).

**Special
conditions:**

Before the first disbursement the executing unit's plan of action, the disbursement timetable, and evidence of the availability of counterpart funds must be presented.

**Exceptions to
Bank policy:**

None.