

**DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND**

REGIONAL

**PEER LED EFFORT TO ENHANCE COMPLIANCE WITH BASEL
CORE PRINCIPLES**

(RG- M1070)

DONORS MEMORANDUM

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INDEX

I.	BACKGROUND AND PROBLEM STATEMENT	1
A.	Similar projects and learned lessons	3
B.	Additionality and innovation	3
II.	DESCRIPTION	4
A.	Objectives	4
B.	Description and components	5
III.	COST AND FINANCING	8
IV.	EXECUTING AGENCY AND EXECUTING MECHANISM	9
V.	MONITORING AND EVALUATION	11
VI.	BENEFITS AND RISKS	12
VII.	SOCIAL AND ENVIRONMENTAL ANALYSIS	13

ANNEXES

ANNEX I	Logical framework matrix
ANNEX II	Itemized budget
ANNEX III	Similar and related projects

APPENDICES

1.	Proposed resolution
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INFORMATION AVAILABLE IN THE TECHNICAL FILES

PREPARATION:

Approved project profile

MIF eligibility memorandum

EXECUTION:

Operating Regulations and timetable

Procurement table

Main terms of reference

ABBREVIATIONS

AC	Advisor Committee
ASBA	Association of Supervisors of Banks of the Americas
AWP	Annual work plan
BIS	Bank for International Settlement
CESI	Committee on Environment and Social Impact
Core Principles or BCP	Basel Core Principles
FELABAN	Latin-American Banking Federation
GDP	Gross domestic product
IDB	Inter-American Development Bank
IMF	International Monetary Fund
LAC	Latin America and the Caribbean
MIF	Multilateral Investment Fund
NPD	National Priorities Diagnosis
PCR	Project Completion Report
TC	Technical Committee
TWG	Technical Working Group
WB	World Bank

**PEER LED EFFORT TO ENHANCE COMPLIANCE WITH BASEL CORE PRINCIPLES
(RG- M1070)**

EXECUTIVE SUMMARY

Beneficiary Country:	Regional		
Executive Agency:	Association of Supervisors of Banks of the Americas (ASBA).		
Beneficiaries:	The beneficiaries of the project will be the banking supervision authorities of MIF members' countries in Latin America and the Caribbean (LAC), which will thus be able to strengthen and adapt to the latest international standards its methodologies, tools and human resources training in order to enhance their capacity to supervise the region's financial institutions. Indirectly, the project will benefit all the consumers of financial services - depositors and borrowers of financial institutions.		
Financing:	Modality: nonreimbursable		
	MIF (Window I):	US\$	741,200
	Local counterpart:	US\$	<u>818,300</u>
	TOTAL:	US\$	1,559,500
Objectives:	The general objective of this project is to contribute to LAC financial markets competitiveness and stability. The specific objective is to facilitate the joint development and implementation of regional regulatory and supervisory best practices to support the growth, stability, and competitive functioning of LAC banking sectors under a new global risk-sensitive framework. These objectives will be accomplished through three components: (i) development of applied guidelines and best practices; (ii) technical cooperation among peer supervisory authorities; and (iii) specialized peer training. These components will be addressed through innovative exercises that will ensure the collaboration and interaction among the region's banking supervisory agencies by combining their efforts, expertise and resources into a joint program.		
Execution Schedule:	Execution Period:	36	Months
	Disbursement Period:	42	Months
Exception to Bank policies:	None.		
Coordination with other official development	This project will greatly benefit from the bilateral reviews and diagnostics carried out by the International Monetary Fund (IMF) and the World Bank (WB) that will constitute the main set of		

institutions:	indicators. The expertise of these multilateral institutions could also be requested in exceptional cases during the project where peer supervisors do not have sufficient capacity. In addition, this project is highly complementary with the Bank's efforts in promoting LAC's financial markets competitiveness and stability, among others actions.
Special contractual conditions:	As conditions precedent to the first disbursement, the executing agency will provide the following to the Bank's satisfaction: (i) evidence that the project coordinator was selected, in accordance with Bank procedures; (ii) the annual work plan (AWP) for the first year of project execution; and (iii) evidence that the project's AC and TC have been formed.
Environmental and social impact review:	The Committee on Environment and Social Impact (CESI) reviewed and approved the project at its meeting on October 14th, 2005, without making any special recommendations.

I. BACKGROUND AND PROBLEM STATEMENT

- 1.01 **Background**¹. The new global international banking regulations, after years of debate and argument, are now under implementation. The new recommendations on capital sufficiency assessment or Basel II were released by the Basel Committee in June 2004² with the goals of strengthening the stability of the financial system by promoting the adequate capitalization of banks and encouraging improvements in risk management. Today, bankers and regulators around the world are putting these new rules into effect. Elaborated under the auspices of the Bank for International Settlement (BIS), Basel II is intended to make financial regulation more flexible and effective with more sophisticated rules that require banks to allocate capital in line with a broader range of credit, market and operational risks. Banks will be able to measure these risks either using standard models, or by developing their own methodologies – which shall be implemented after their national bank supervisory agency is satisfied that these models assess risk adequately. These measurement and assessment capacities by banks and regulators will allow financial intermediaries to better manage their risk exposures, to allocate capital more efficiently and price loans more consistently from a risk-return perspective, becoming one of the most relevant key drivers in determining bank and country financial competitiveness within global markets that are becoming increasingly more integrated.
- 1.02 As part of this process of bringing bank supervision practices to a more risk sensitive approach, the Basel Committee on Banking Supervision is currently reviewing the Core Principles for Effective Banking Supervision (Core Principles or BCP) and is expecting to approve these revisions on its next International Conference of Bank Supervisors on October 2006. The proposed revisions make the Core Principles more risk sensitive and more closely aligned to the effective implementation of Basel II. In particular, these revisions include requirements for: (i) supervisory transparency, operational independence and resource sufficiency; (ii) legal powers delegated to bank supervisors; (iii) a more granular review of risk assessments, in particular credit policies, loan evaluation and provisioning, market risk, liquidity, operational risk, also on a consolidated basis; (iv) requirement for effective cross border and cross sector information sharing and cooperation; and (v) a thorough review of bank integrity and anti-money laundering. Once the revisions are approved, countries will be assessed under these new parameters and this poses an additional challenge to the bank supervisory framework in the region.
- 1.03 Latin American and Caribbean (LAC) banks and regulators are now in need of addressing the above-mentioned issues, especially, from a perspective that would allow them to conform to international standards and further the development of their financial markets. LAC banking sectors are now further challenged to adjust to the new standards as its current limited compliance with the Core Principles will affect their competitiveness. Indeed, the more effective risk management is, the

¹ “Latin Banking Guide & Directory 2003, 2004 and 2005” Latin Finance Magazine numbers 149, 159 and 169.

² “International Convergence of Capital Measurement and Capital Standards: a Revised Framework”. Basel Committee on Banking Supervision.

greater competitive edge a bank would have. Furthermore, Basel II, with its new concepts and requirements, clearly presents a critical challenge to the LAC banking industry and its regulators. Some countries are more advanced with regards to Basel II than others. However, to secure proper implementation of the new capital requirements, the setting of a solid bank supervision framework is necessary, and this is reached through the adequate implementation of the BCP. In this respect, the region still shows weaknesses that, if not addressed, will have a negative impact on the region's financial sector competitiveness. Thus, LAC's financial industry and regulators are being pressed to accelerate the pace of implementation of the BCP as these principles were released by the Basel Committee in 1997.

- 1.04 **Problem Statement.** Bilateral reviews and diagnostics carried out by the International Monetary Fund (IMF) and the World Bank (WB) have demonstrated that bank supervisors in LAC have a pending implementation agenda of the sound bank supervision practices reflected in the Core Principles. Some of LAC's bank supervisors have reached compliance degrees that are, in the best-case scenario, half of those corresponding to the industrialized nations³. These compliance degrees will worsen, once the new BCP are official. This insufficient regulatory and supervisory environment hinders the competitive chances of the region and deters economic growth by holding back credit expansion. In an integrated global financial market in which banks and countries compete internationally, the LAC banking sector may find itself in an increasingly disadvantageous position that will mostly impact local banks (vs. international banks) and smaller economies.
- 1.05 This project will greatly benefit from and complement the numerous country diagnostics that other institutions have undertaken but have not implemented. Indeed, the project is practical in nature and will avoid carrying out more diagnostic work. These diagnostics showed that implementation of Core Principles in LAC presents serious weaknesses in critical areas such as:
- (i) Insufficient capacity to enforce regulation: an adequate level of operative independence and sufficient resources for the bank supervisory agency are essential to secure an effective supervisory framework. This has to be complemented with a clear legal framework wherein the bank supervisor is legally protected. This is not the case in LAC and the advances made in this process need to be properly assessed and disseminated within the region;
 - (ii) Key supervisory areas and risk management: only 10% of LAC countries comply with principles related with the need for bank supervisors to: (a) set prudent and appropriate minimum capital adequacy requirements that reflect the risks banks undertake, and define the components of capital by their capacity to absorb losses; (b) verify that banks establish and adhere to adequate policies, practices and procedures for evaluating the quality of assets and the adequacy of loan loss provisions and reserves; (c) verify that banks have management information systems to identify concentrations within their portfolios, understand the inherent risks, and adopt appropriate measures within the regulatory limits established; and

³ The IADB on its 2005 publication "Unlocking Credit" indicates that only 6 of the 25 BCP are implemented in the region.

- (d) verify that banks have the ability to monitor and manage their risks and hold sufficient capital against these risks;
 - (iii) Cross-border consolidated supervision: this is especially important for the monitoring of internationally active banks where prudential regulations have to consider all aspects of their businesses at their foreign branches, joint ventures and subsidiaries; and
 - (iv) Proper bank resolutions frameworks to allow the market adequate operation and provide feedback to all deposit insurance efforts being made.
- 1.06 If this scenario were further complicated by the need to gradually adopt the new recommendations of Basel II, the region's ability to participate competitively in the international financial markets would be further pressed. Preliminary surveys show that at least two-thirds of the countries in LAC are not on sufficiently firm footing to implement the Basel II tenants by the end of 2006. This means that regulatory and supervisory LAC authorities must work rapidly and hard in understanding their immediate and mostly shared challenges. Thus, to improve and develop the region's financial markets competitiveness, this project proposes to resolve practical regulatory and supervisory issues by combining - in a joint program - the efforts and resources of LAC's bank supervisors.

A. Similar projects and learned lessons

- 1.07 This project is highly complementary with the Bank's efforts in promoting LAC's financial markets competitiveness and stability, among others actions, by: (i) organizing regional forums for public institutions (supervisory agencies and public banks) and private banks (international and national banks) to share views and discuss policies on best practices to manage financial risk; and (ii) supporting the use of transparency rules and market discipline instruments in Policy Base Lending Programs that support financial reform and enhance competitiveness of LAC's economies. The IADB⁴ has tentatively identified the "development of stable and effective financial systems that are in conditions to support robust economic performance, minimize vulnerability to crisis that imply reduced growth and expensive restructurings, and undermine confidence in financial systems" as the third pillar of its new financial markets strategy.
- 1.08 Some of the initial relevant lessons learned from existing financial market projects that have been taken into account in this project are the following: (i) the difficulty of determining the structure and content of activities to develop due to the rapidly changing nature of this environment; (ii) the strong need to raise awareness and create consensus among participants to ensure continuity in activities; (iii) the difficulty of getting approval for implementing regulatory changes due to the changing nature of political agendas; and (iv) the convenience of promoting permanent mechanisms vs. specific short-term interventions.

B. Additionality and innovation.

- 1.09 The banking system plays a key role in the efficient functioning of the economy. Its most fundamental contribution is to channel resources from individuals and

⁴ "Developing Financial Markets: The Challenges for the Decade: A Regional Financial Forum". June 13, 2005; and Financial Markets Strategy, (February 21, 2006) Document GN – 1948-4

companies with surplus resources to those with resources deficit. In doing so, the banking system not only satisfies the savings needs of the economy, but also facilitates the accumulation of investment capital that is critical to development of the private sector. If the banking system does not perform well, then the private sector-led economic growth will be severely hampered. Prudential supervision, in which the government establishes regulations to ensure transparency of financial information and supervisors monitor banks' compliance with these regulations, is thus needed to ensure the safety and soundness of the banking system. Preventing excessive risk taking is even more critical in emerging market countries, as inadequate prudential supervision has led to severe banking problems, which have been an important factor triggering the currency and financial crisis in recent years in the region. Improving regulatory and oversight mechanisms tends to strengthen the supervised institutions, lower the cost of financial intermediations thanks to greater efficiency, and reduce risks for the financial intermediaries and their customers. This project will benefit from previous activities of the Bank and will complement them. This project transcends existing bilateral and international programs and greatly complements them through small interventions designed to encourage collaboration among peer banking superintendences. There is currently no other arrangement for financing from any other institution or international organization for the activities proposed in this project. As such, the role of the MIF in this initiative is crucial for responding in a timely manner to the changing face of financial sector development in the region.

- 1.10 The project's components will be addressed through innovative exercises that will ensure the collaboration and interaction among the region's banking supervisory agencies by combining their efforts, expertise and resources into a joint program. The above will be accomplished through a **continued and concerted peer regional effort** that no other multilateral or academic institution is supporting. ASBA leading countries will provide access to their know-how to supervisors that can benefit from peer collaboration in designing and implementing sound regulation and supervision practices that are consistent with international best practices and adaptable to the local needs and requirements. It is particularly critical that the supervisory authorities work collaboratively and support each other in their efforts to comply with the BCP since the expertise in implementing them and Basel II reforms is concentrated in a very small number of institutions and difficult to access.

II. DESCRIPTION

A. Objectives

- 2.01 **Objectives.** The general objective of this project is to contribute to LAC's financial markets competitiveness and stability. The specific objective is to facilitate the joint development and implementation of regional banking regulatory and supervisory best practices to support the growth, stability, and competitive functioning of LAC banking sector under a new global risk-sensitive framework. These objectives will be accomplished through three components: (i) development of applied guidelines and best practices; (ii) technical cooperation among peer supervisory authorities; and (iii) specialized peer training.

B. Description and components

- 2.02 **Component I: Development of applied guidelines and best practices. (MIF US\$174,240.00; Counterpart US\$209,580.00).** The objective of this component is to adopt banking supervision international standards through the development of practical guidelines and best practices, ready to be implemented across the region. Thus, timely and effective tools that take into consideration specific regional problems and weaknesses will be developed for implementation in LAC.
- 2.03 This component will carry out in sequence the following activities: (i) topic selection; (ii) Technical Working Groups (TWG) analysis; (iii) interactive discussion; (iv) regional workshops; and (v) promotion and dissemination. Topics for the first year have already been selected (consolidated supervision and supervisory agencies' corporate governance) while the topics for the second and third year will be pre-selected at the annual IDB / FELABAN / ASBA conference and submitted for approval to the Advisory Committee. Each topic and the following process will be led by one national supervisory agency, selected for its interest or for its mastery in the topic with the voluntary participation of other countries' supervisory agencies. ASBA will follow up, control and supervise the whole process and be in charge of any acquisition resulting from it.
- 2.04 The TWG will: (i) identify common issues that hinder an effective action of the supervisory frameworks to recommend best practices to overcome them, and (ii) develop practical guidelines, in line with international standards, in close collaboration with the most experienced supervisory authorities. The TWG will carry their work through interactive discussion processes either in person or through electronic means as to permit the prompt exchange of techniques and practices, and facilitate the timely coordination among supervisory agencies. The outcome of the TWG will be later submitted to ASBA's Board of Directors for endorsement and as implementation recommendation to the supervisory authorities throughout the region. These recommendations will take into consideration the particularities and constraints of the region's financial markets and shall follow the applicable international standards.
- 2.05 The best practices and practical guidelines developed by the TWG will be introduced in regional workshops, with the participation of supervisors, supervisees and external facilitators, as warranted. The objectives of the workshops will be to: (i) promote the interaction between the private and public institutions involved; (ii) provide the parties with tools that would enable them to work effectively in their constituencies; (iii) analyze appropriate communication and coordination procedures among various sectors for the effective implementation of the recommendations being made; (iv) share experiences and carry out comparative analysis of laws and regulations to enrich the parties' common knowledge; (v) bring greater criteria and concept homogeneity among the various actors and countries; (vi) help build a set of priorities identifying matters that may require attention to further the development of the financial sector in the region; and (vii) modify, when needed, the initial practical guidelines. Once the applied guidelines have been agreed and published, ASBA will hold a meeting to formally introduce the topic and promote the guidelines dissemination.

- 2.06 The project's expected outcomes for this component are: (i) issuing of at least four best practices and practical implementation guidelines on key supervisory issues; (ii) at least four regional workshops to introduce the best practices in the region; and (iii) at least four preliminary ex-post surveys on the impact of the implementation of the recommendations in the region.
- 2.07 **Component II: Technical cooperation among peer supervisory authorities. (FOMIN US\$ 92,025.00; Counterpart US\$79,453.64).** This component's objective is to enhance Basel Core Principles' compliance efforts in at least six countries in the region through technical peer collaboration among banking supervisory authorities.
- 2.08 The component will be implemented through the following steps: (i) a brief analysis of the conclusions and recommendations in each country based on the findings of a preliminary assessments of each country (see 2.09); (ii) development of an implementation work plan agreed upon by the beneficiary and benefactor banking supervisory agencies; (iii) development of material, when appropriate, based on the subject in question and, possibly, consisting of proposed legal and/or regulatory frameworks; improvements in operational and administrative procedures, and/or training in organization and methodology; and (iv) work plan implementation through dedicated human resources from the beneficiary agencies.
- 2.09 The process for selecting countries that will participate in the technical cooperation component of the program will include an initial review of compliance assessment reports by the World Bank, the International Monetary Fund, or other multilateral or specialized organizations, and self-assessments compliance reports by supervisory agencies. The purpose of review is to identify and summarize areas for enhancing sound supervisory practices in the region. ASBA will facilitate the compilation of these reports and/or in the production of a document based on these reports that will summarize Regional Priorities for Enhancing Sound Supervisory Practices. The document will be approved by the Advisory Committee and ASBA's Board of Directors and used to assist in the selection process. In addition, the Advisory Committee in conjunction with ASBA's Board of Directors will consider other requests for technical support that are properly supported by supervisory agencies. Priority will be given to countries that feature the following: (i) an identified shortcoming and urgent need to overcome it based on the information referred to in the compliance assessment reports; (ii) additionality with respect to other activities; (iii) complementary actions by other organizations; and (iv) local supervisory institution's commitment, including counterpart funding and human resource support, for the implementation of the work plans. ASBA will be in charge of all the acquisitions under this component.
- 2.10 The work plans will be executed through two eligible subcomponents⁵:

⁵ The project's technical assistance will not cover the salaries of the personnel of the supervisory agencies and multilateral and other specialized organizations involved.

- (i) Horizontal cooperation. Technical cooperation will be provided through the matching of the identified assistance needs and peer supervisory agencies' capacity to address them over periods not to exceed 20 days. Countries like Canada, United States, Brazil, Mexico, Chile, Peru, Colombia, El Salvador, Jamaica, Trinidad and Tobago, and others may act as mentors in different areas of expertise (benefactor banking supervisory agencies). While countries such as Belize, Bolivia, Dominican Republic, Ecuador, Guyana, Nicaragua, Paraguay, and others⁶ may be support recipients (beneficiary banking supervisory agencies). These references listed above are not exhaustive and countries may act in both capacities (i.e. as a beneficiary and a benefactor), depending on the areas being addressed. This activity will be carried out by practitioners from different benefactor supervisory agencies. ASBA, in conjunction with the Advisory Committee and the Association's Board of Directors, will identify potential benefactor supervisory agencies and request them to provide pre-defined cooperation to a specific beneficiary supervisory agency; and
 - (ii) Cooperation of Multilateral and Other Specialized Organizations: Multilateral and/or other agencies (e.g. the IMF and the WB) participation in the project may be considered in exceptional cases where peer supervisors do not have the capacity to support an agency or could greatly benefit from one of these organization's expertise on a specific topic related to the project.
- 2.11 The project's expected outcomes for this component are: (i) six country assessments carried; (ii) six country specific priorities and activities implementation plans developed; (iii) at least ten horizontal cooperations; (iv) at least five specialized cooperations will be facilitated within this component; (v) 10 evaluation reports from the beneficiary supervisors; and (vi) preliminary impact evaluation reports from the beneficiary countries.
- 2.12 **Component III: Specialized peer training. (MIF US\$283,400; Counterpart US\$399,000).** This component's objective is to support the implementation of the project's previous activities by disseminating the identified best practices and practical guidelines developed in components I and II, as well as to analyze case studies developed by ASBA while providing technical cooperation, through specialized regional training programs. This component will also consist of internships to prepare human resources on specialized subjects at different supervisory agencies in the region as well as to support the Association's analysis capabilities in pre-identified areas. However, although this project drives mainly along the topics chosen in component I, component III will support at least two events based on other important topics not considered in the first component.
- 2.13 Twelve training programs for the supervisory agencies staff will be organized during the project's life span on the areas analyzed by the working groups and where most of the technical support was provided. In addition, at least ten internships will be implemented to develop expertise on risk based bank analysis, consolidated supervision, early warning systems' implementation and problem bank resolution, design and implementation of strengthening programs and others.

⁶ Only MIF members' Bank Superintendencies will benefit from this project.

Interns' selection will be done by the Advisory Committee, selecting human resources that: (i) have demonstrated commitment within their institutions; (ii) are recommended by the highest supervisory authority; and (iii) have signed a work commitment of at least a year – after the internship - with their particular agencies to secure knowledge and techniques' transfer. ASBA will be in charge of all the component's acquisitions.

- 2.14 The training program's success depends on the quality of the instructors and facilitators identified and committed to it. Historically these resources have come from the United States supervisory agencies, the Financial Stability Institute, the Office of the Superintendent of Financial Institutions in Canada, the World Bank, the International Monetary Fund, and some private organizations. The project is designed to continue on this path and to increasingly make use of multilateral and other agencies' expertise, and most importantly, ASBA's regional expertise, in training efforts⁷.
- 2.15 The project's expected outcomes for this component are: (i) twelve courses or workshops for supervisory agencies staff developed and implemented; (ii) 350 trained supervisors; (iii) ten internships implemented; (iv) support material for the activities organized and (iv) a human resource challenges survey.

III. COST AND FINANCING

- 3.01 The total cost of the project is \$1,559,500. MIF will contribute 47.5% of this amount (\$741,200). The local counterpart will amount to 52.5% (\$818,300), of which US\$ 159,300 is in kind. Local supervisory authorities will contribute, in the form of airfare and per diem for those participating in the different activities, part of ASBA contribution. The following table summarizes the general budget (see Annex II. Itemized Budget):

Component	MIF	Counterpart	Total	%
1. Development of applied guidelines and best practices	174,240	209,580	383,820	25%
2. Technical cooperation among peer supervisory authorities	92,036	79,520	171,556	11%
3. Specialized peer training	283,400	399,000	682,400	43%
Administration	152,000	130,200	282,200	18%
Auditing and Evaluation	39,524	-	39,524	3%
TOTAL	741,200	818,300	1,559,500	100%
	47.5%	52.5%		

- 3.02. **Sustainability.** The sustainability of the project is mainly based on the continuous support of bank supervisors in the region to the accomplishment of its objectives.

⁷ The project's technical assistance will not cover the salaries of the personnel of the supervisory agencies and multilateral and other specialized organizations involved.

Sustainability is further strengthened by: (i) the availability to the regional supervisors of the lessons learned during technical cooperation efforts; (ii) publication of the working groups results and recommendations; (iii) the introduction in the regular training of the banking superintendencies of the courses developed within the project; and (iv) the commitment assumed by participants to transfer the knowledge they acquire to the other employees at their respective institutions. Lastly, LAC banking superintendencies will have first-hand knowledge of the benefits that peer collaboration brings in a global context that forces them to an on-going improvement and adaptation to international standards and processes.

IV. EXECUTING AGENCY AND EXECUTING MECHANISM

- 4.01 **The Executing Agency.** The Association of Supervisors of Banks of the Americas (ASBA), a civil association registered in México D.F. since 1999, consists of 34 bank supervisors from the Americas and the Caribbean. Its goals are to: (i) promote and maintain close communication ties among supervisors; (ii) constitute a high level forum for dealing with and exchanging ideas, technologies, techniques, experiences, and knowledge regarding bank supervision issues; (iii) foster the development of research, systematic training programs, and technical cooperation services among members; (iv) promote cooperative relationships with non-member bank supervisors as well as with other entities related to the Association's objectives; and (v) represent LAC countries' unique circumstances and requirements before international forums like the Basel Committee.
- 4.02 ASBA has the following advantages for conducting the project: (i) *Project ownership and common vision*: ASBA is an organization supported by the region's supervisors with a clear mandate to support the development of bank supervision in the region. Thus, its "owners" appropriate any activity carried out within the organization as it responds to their demands and is aligned with their common vision to progressively achieve this goal; (ii) *Regional Scope and integration*: For any banking operation to be cost effective and safe, a predictable regulatory and supervisory framework is essential. The globalization of the financial sector needs a regulatory and supervisory process that is increasingly homogeneous. ASBA has the advantage of bringing LAC's perspective and coordination capacity to help in this process, brings different perspectives that are representative of the region into the discussion of issues, and reaches within its resources to respond to the regional needs; (iii) *Versatility and adaptability* to simultaneously concentrate on several projects and deliver its services to 34 countries in the Americas, attempting a regional balance. It can further adapt to changing conditions through being close to its members and learn of their challenges and needs first hand; (iv) *Cost effectiveness*: The Association's regional management produces an important return to the resources invested in comparison with projects bilaterally designed and implemented; and (v) *Management unity and consistency*: The unified management of a regional project by an organization like ASBA helps to closely coordinate tasks with the beneficiaries; quickly respond to changing conditions should they arise; and establish a strong evaluation process through a central reporting system.

- 4.03 In addition, ASBA brings the opportunity to greatly improve the dissemination of the project's outcomes by making them available to its countries members of ASBA. Thus, the outcomes shall not only be part of a library of products that may help as a reference to the supervisors, but should be translated into practical implementation guidelines or practices. This project is integral in the sense that a particular initiative may involve technical working groups, technical cooperation and training to give it practical use.
- 4.04 **Execution mechanism:** The project will operate from ASBA's headquarters and will be directly executed by ASBA through a Technical Committee (TC) and with the strategic support of an Advisory Committee (AC).
- 4.05 The AC will be composed of five members: a representative from the IADB Group, ASBA, FELABAN (who should be a representative from the region's private banking sector), an independent expert (an acknowledged professional in the area), and the ASBA's Executive Secretary. The AC's main functions will be to: (i) advise the TC on strategic decisions for the proper implementation of the project; (ii) review the annual work plans; (iii) review the project's implementation pace; (iv) review the project's results; and (v) select the topics for the project's first component. The AC will directly interact with ASBA's Board of Directors.
- 4.06 The TC will be composed of six members: chaired by ASBA's Executive Secretary, the project coordinator, the person responsible for Research and Implementation in ASBA, ASBA's Chairman or representative thereof, ASBA's Vice-chairman or representative thereof and an Associate or representative thereof. The TC will report directly to the Chairman of ASBA's Board of Directors. The main functions of the TC are: (i) to prepare and execute the annual work plans (AWPs); (ii) to coordinate project activities, with an emphasis on the need to develop a baseline for selecting countries and activities to be held as part of project components during the first year; (iii) to promote processes for contracting in accordance with Bank policies and to oversee the procurement of goods and services; (iv) to oversee the timely and effective execution of project components; (v) to carry out the procedures for requesting disbursements from the Bank; (vi) to prepare and submit financial statements and management reports to the Executive Secretary of ASBA, the AC and the Bank; (vii) to monitor the performance indicators set forth in the Logical Framework; and (viii) to monitor the counterpart contribution. The project coordinator will act as the TC's secretary - and will also participate very actively in the execution of the various components - and will have access to dedicated administrative and accounting support staff from ASBA. The terms of reference for hiring these individuals are part of the Operating Regulations for the project.
- 4.07 In consultation with the respective national banking supervisors, the TC will be responsible for procuring the national and international consulting services necessary to execute the project. The consultants who are hired may work on more than one component of the project in more than one beneficiary country. Also, the TC will design and maintain a system for monitoring the impact of project

activities. The funds from the local contribution and the Bank's contribution will be deposited in a special account to be opened for this sole purpose by ASBA, in order to help the Bank monitor these funds.

- 4.08 **Special contractual conditions.** As conditions precedent to the first disbursement, the executing agency will provide the following to the Bank's satisfaction: (i) evidence that the project coordinator was selected, in accordance with Bank procedures; (ii) the annual work plan (AWP) for the first year of project execution; and (iii) evidence that the project's AC and TC have been formed.
- 4.09 **Project readiness.** The project is in an appropriate state of readiness inasmuch as: (i) the availability of local counterpart funds, both in cash and in kind, has already been documented; (ii) the technical discussions with the respective national bank regulators and supervisors on the collaboration agreements for project execution have been agreed upon and are at a very advanced stage; and (iii) ASBA's Executive Board has designated this project as one of its top priorities for the next three fiscal years.
- 4.10 **Procurement of services.** The procedures to be followed by the TC for procurement of the consulting services to be financed by the project must be carried out in accordance with the Bank procedures set forth in "Policies for selection and contracting of consultants financed by the IDB" (GN-2350-4). For the contracting of consulting services, the selection procedure based on quality and cost will be followed. Consulting contracts for less than \$50,000 will be subject to ex-post review by the Bank, except for the first three procurement contracts, which will be subject to prior review. The procedures must ensure a transparent, competitive process at the lowest costs. The Contracting Plan will be reviewed every six months. The preliminary procurement plan is in the project's technical files.
- 4.11 **Execution period and disbursement periods.** The project will have an execution period of 36 months and a disbursement period of 42 months. There will be a revolving fund amounting up to 20% of the MIF contribution, which will be managed in an account separate from the other accounts held by the executing agency.

V. MONITORING AND EVALUATION

- 5.01 **Monitoring reports.** The TC will prepare and submit project progress reports to the Bank within 30 days following the end of each calendar six-month period and a final report within 30 days following the last disbursement. For every second half-year progress report, the TC will develop the work plan for the next year. These reports will follow a format previously agreed upon with the Bank and will cover the project's activities and financial performance, as well as outcomes measured against the execution and performance indicators identified in the Logical Framework for the project (see Annex I). The Bank will use these reports to oversee progress in implementing the project and to prepare a project completion report (PCR) in the three months following the last disbursement. Based on these

semiannual progress reports, the Bank will review the progress of the project. Also, a closing workshop will be held three months prior to project completion in order to identify and publicize the outcomes attained, lessons learned, and actions needed to ensure project sustainability.

- 5.02 **Evaluation.** The Bank, with funds from the MIF contribution, will hire independent consultants to perform a midterm project evaluation, which will be conducted after 50% of the contribution has been disbursed or 18 months have passed since the agreement was signed, whichever occurs first. Based on this midterm evaluation, the Bank will decide whether the project will continue or be modified, suspended, or canceled. This evaluation will at least take into account the following factors: (i) progress on working groups and technical cooperation efforts; (ii) number of training workshops held; and (iii) number of activities carried out.
- 5.03 The final evaluation of the project, to be conducted once 90% of the MIF's contribution has been disbursed, will examine: (i) the degree to which the planned activities were executed; (ii) the degree to which the specific goals and purposes have been met; (iii) the impact of the project on the sector; (iv) user satisfaction, based on a survey of participating superintendencies; (v) the extent to which the actions spurred by the project will be sustainable once the MIF's involvement ends; and (vi) the relevance of the peer collaboration model in terms of its future replicability.

VI. BENEFITS AND RISKS

- 6.01. **Benefits:** Enhancing banking supervision is an important issue to be addressed in the context of deepening the financial system. This technical cooperation is expected to provide a set of standards that will strengthen and modernize oversight, together with the needed analytical tools and human resources training needed for effective prudential and preventing monitoring of financial intermediaries under supervision. As a long-term goal, the project will contribute to establish a more stable financial sector in terms of improvements in prudential standards, risk profiles and transparency of the sector. As a result of the improved supervision and peer collaboration, the overall level of risk in LAC financial systems should be reduced. Thus, the project will contribute to LAC's social and economic development by reducing the vulnerability of the financial systems, and by lowering the potential economic and social costs. The project is fully consistent with the objectives of the MIF insofar as trust, solvency, and market efficiency are essential for the sustainable growth of the region economies. The financial crises that have occurred in different countries in the hemisphere over the last decades underscore the macroeconomic costs of unstable financial systems. More effective supervision of the financial sector is a precondition for increased private investment.
- 6.02. **Beneficiaries:** The direct beneficiaries of the project will be the banking supervision authorities of countries in LAC, which will thus be able to strengthen and adapt to the latest international standards, methodologies, tools and human resources training in order to enhance their capacity to supervise the region's

financial institutions. Indirectly, the project will benefit all the consumers of financial services - depositors and borrowers of financial institutions.

- 6.03. **Risks:** This operation faces the following two main risks: (i) execution risks, as a regional project that requires the coordination of multiple activities in various countries at the same time. The fact that the banking supervisors will be carrying out day-to-day tasks at the same time will mean that the timely implementation of the project will require close coordination and commitment; and (ii) demand risks, in the sense that there may not be enough interest in collaborating among peer banking supervisory authorities. The first risk is mitigated by ASBA previous collaborative activities with the Bank and the MIF, and especially its proven experience in coordinating international events and activities. As for the second risk, ASBA has been actively engaged in raising awareness among its members, and has already collected positive feedback.. In addition, the project intends to develop specialized services, tailoring them to the characteristics, needs, and scale of the sector and direct beneficiaries, and provide for personalized attention and close follow-up.

VII. SOCIAL AND ENVIRONMENTAL ANALYSIS

- 7.01 The Committee on Environment and Social Impact (CESI) reviewed and approved the project abstract on October 14th, 2005 without, comment.

LOGICAL FRAMEWORK

PEER LED EFFORT TO STRENGTHEN BANK REGULATION AND SUPERVISION BY IMPROVING COMPLIANCE WITH BASEL CORE PRINCIPLES
(RG-M1070)

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTIONS
GOAL To contribute to LAC's financial markets competitiveness and stability.	Two years after the project's completion, well managed bank supervisory agencies in the region should have implemented risk-based and consolidated regulatory and supervisory practices and have verified the banking sector's compliance to its basic requirements. In addition, transparent and efficient problem bank monitoring and resolution processes shall be operative.	Core Principles Compliance reports, carried out by multilateral organizations or self-assessments assisted by qualified third parties demonstrate an improvement in risk management and market transparency in the banking sector and identify an able supervisor under a risk sensitive environment in the beneficiary countries. Capital ratios in the beneficiary countries will be assessed under one of the methodologies observed by the new capital adequacy framework. Bank monitoring and resolution reports shall demonstrate the application of proper and efficient systems for early warning, as well as the adoption of prompt corrective actions schemes and resolution processes carried out.	Operators in the financial markets in Latin America and the Caribbean lag behind in the implementation of sound corporate governance practices, administrative and information systems' that would facilitate the compliance of a more risk sensitive management increasing markets' transparency.
PURPOSE To facilitate the joint development and implementation of regional regulatory and supervisory best practices to support the growth, stability and competitive functioning of LAC banking sectors under a new global risk-sensitive framework.	After three years: <ul style="list-style-type: none"> Regional compliance levels to international standards on key supervisory issues have measurably improved. The project's beneficiary countries have made technical improvements to their supervisory framework to properly assess risk management systems and require capital to cover potential losses, increasing in a 20% its base line (currently quantified at 43% of regional average compliance with BCPs). 	<ul style="list-style-type: none"> Financial Sector and Assisted Assessments. Baseline report on the region's Core Principle Compliance levels. Report on identification of challenges, areas of intervention, potential beneficiaries and expected results. Board Resolution minutes and Advisory Committee Minutes endorsing the results achieved and guiding the project's performance, respectively. Memoria e Informe Anual de FELABAN a sus asociados BID/FOMIN generated reports: <ul style="list-style-type: none"> Semiannual progress reports and final 	Ample regional support is secured through ASBA's Executive Secretariat's actions. Local financial sector participants cooperate with the efforts to properly implement risk based management and corporate governance principles which facilitate consolidated supervision regulation and supervision.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTIONS
		<p>report from the executing agency.</p> <ul style="list-style-type: none"> ▪ Project Performance Monitoring Report (PPMR). ▪ Midterm and final evaluation by an external consultant. ▪ Reports on technical and accounting/financial inspection visits. ▪ Project completion report (PCR). 	
COMPONENTS			
<p>Component I. Development of applied guidelines and best practices.</p>	<p>At the end of the project:</p> <ul style="list-style-type: none"> • At least 4 best practices and practical implementation guidelines on key supervisory issues are endorsed for implementation. • At least 4 regional workshops to introduce the latter in the region are organized. And • At least 2 preliminary impact surveys indicating the impacts made by the project in the areas of concentration are implemented. 	<p><u>For all Components:</u></p> <ul style="list-style-type: none"> • Project performance monitoring report (PPMR) • Progress reports and final report executing agency • Midterm and final evaluation outside consultant • Project completion report (CME/MIF) <p>For this component:</p> <ul style="list-style-type: none"> • Best practices and practical implementation guidelines are available to all project's beneficiaries and multilateral cooperation agencies. • Workshop material, participant evaluations and summary minutes. • Regional impact evaluation surveys reports. 	<p><u>For all Components:</u></p> <ul style="list-style-type: none"> • The beneficiary countries amply share their evaluations with the the projects' agencies. • Beneficiary countries gain ownership of the products being produced in the component and implement supervisory practices in line with them. • Interested public sector authorities are cooperating actively in the development and adoption of the best practices or implementation guidelines issued. • Subregional efforts to implement recommendations pertaining them are carried out.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTIONS
Component II. Technical cooperation among peer supervisory authorities.	<p>At the end of the project:</p> <ul style="list-style-type: none"> • Six country assessments; • Six country specific priorities and activities implementation plans developed; • At least ten horizontal cooperations; • Four cooperations with multilateral and similar organizations; • Evaluation formularies from the benefited supervisors; and • Preliminary impact evaluation reports from the beneficiary countries. 	<p>For this component:</p> <ul style="list-style-type: none"> • Regional Core Principles Compliance Report issued by the Executing Agency. • Report on selection process and commitments made with beneficiary countries. • Priorities identification and implementation plans for selected countries. • Horizontal and specialized support reports. • Evaluation reports from the beneficiary countries. • Impact evaluation reports carried out by the Executing Agency and the IDB/FOMIN. 	
Component III. Specialized peer training.	<p>At the end of the project:</p> <ul style="list-style-type: none"> • Twelve courses or workshops developed and implemented. • 350 trained supervisors. • 10 internships implemented; • Support material for the activities organized; and • A human resource challenges survey. 	<p>For this component:</p> <ul style="list-style-type: none"> • Workshop evaluation reports, lists of participants and supporting materials are available a the Executing Agency. • An evaluation report with expected impacts is prepared and made available by the Executing Agency. • A training needs assessment survey's result is available after the project is executed. 	

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTIONS
ACTIVITIES Component I. Development of applied guidelines and best practices. <ul style="list-style-type: none"> • Topic selection • Technical Working Groups (TWG) analysis • Interactive discussion • Regional workshops • Promotion and dissemination 	<u>At the end of the project there has been:</u> <ul style="list-style-type: none"> • 4 key supervisory issues chosen for regional discussion to develop best practices recommendations or practical guidelines; • 5 Technical Working Groups organized and operating; • 5 interactive discussion events; • 3 regional discussion workshops; • 4 preliminary surveys ex-post on recommendation's implementation's impact in the region; • 3 promotion and diffusion events, including presentation seminars; • 6 country chosen and 6 implementation agreements from the beneficiary countries' banking supervisors; • 1 Horizontal Technical Cooperation Workshops; • 4 cooperations with multilateral and similar organizations; • 6 working plans (roadmaps); • An average of 30 participants per workshop; • 12 training programs on the areas analyzed by the working groups; • 10 internships for expertise development; • 10 discussion papers for peer level discussions; and 	<u>For all activities:</u> <ul style="list-style-type: none"> • Semiannual and final project reports by the executing unit; • Minutes of the Technical Committee documenting the beneficiary countries and seminars / workshops attendants selection process; • Reports on the processes followed for selection of consultants; • Aide-mémoire of the interaction workshops; • Midterm and final evaluations by a national or international consultant; • Technical and accounting/financial inspection visits by CME/MIF; • Project completion report (CME/MIF); • Copies of consultant contracts; • Surveys and evaluations of participants on execution and outcomes of workshops; • Copies of miscellaneous invoices and accounting system of the executing agency; • Project closing workshop; • Project sustainability workshop. 	<u>For every activity:</u> <ul style="list-style-type: none"> • There exist compliance assessment reports for most potentially beneficiary countries; • There is an expressed and clear interest of the region's supervisors; • There are no major changes in the financial conditions of the beneficiaries that would hinder their participation in the project.
Component II. Technical cooperation among peer supervisory authorities. <ul style="list-style-type: none"> • Analysis of compliance assessment reports and self-assessment • Country Selection • Working plan • Horizontal Cooperation • Multilateral and Other Specialized Organization's Cooperation 			

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTIONS
<p>Component III. Specialized peer training.</p> <ul style="list-style-type: none"> Regional training programs. Internships. Human Resources Challenge Survey. 	<ul style="list-style-type: none"> 10 implementation tools catalogue. <p><u>At the end of the second year there has been:</u></p> <ul style="list-style-type: none"> 3 key supervisory issues chosen for regional discussion to develop best practices recommendations or practical guidelines; 3 Technical Working Groups organized and operating; 3 interactive discussion events organized; 2 regional discussion workshops; 3 preliminary surveys to assess the impact of the recommendations' issued; 2 presentation seminars to promote and present the issued recommendations; 5 countries chosen and 5 implementation agreements from the beneficiary countries' banking supervisors; 5 Horizontal Technical Cooperation Workshops; 3 cooperations with multilateral and similar organizations 5 working plans (roadmaps) An average of 30 participants per workshop; 10 training programs on the areas analyzed by the working groups; 8 internships for expertise development; 8 discussion papers for peer level discussions; 8 Implementation tools catalogue. 		

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATIONS	ASSUMPTIONS
	<p><u>At the end of the first year there has been:</u></p> <ul style="list-style-type: none"> • 2 key supervisory issues chosen for regional discussion to develop best practices recommendations or practical guidelines; • 2 Technical Working Groups organized and operating; • 2 interactive discussion events organized; • 1 regional discussion workshop; • 2 preliminary surveys to assess the impact of the recommendations' issued; • 1 Presentation seminar to promote and present the issued recommendations; • A regional assessment issued; • 2 beneficiary countries selected for support and 2 implementation agreements from the beneficiary countries' banking supervisors; • 2 working plans (roadmaps) previously agreed upon implemented through dedicated resources from the beneficiary agencies; • An average of 30 participants per workshop; • 4 training programs for the region's bank supervisors on the areas being analyzed by the working groups; • At least 1 cooperation with multilateral and similar organizations; • 3 internships for expertise development; • 3 discussion papers for peer level discussions; and • 3 Implementation tools catalogues. 		

Peer Led Effort to Enhance Compliance with Basel Core Principles RG-M1070

Component I: Development of applied guidelines and best practices

	TOTAL COST	MIF	Local contribution - ASBA (in cash)	Local contribution - ASBA (in kind)
I.1 Working group discussions	\$ 300,160	\$ 124,480	\$ 168,480	\$ 7,200
I.2 Development of practical guidelines and recommendations of practices	\$ 26,000	\$ 26,000	\$ -	\$ -
I.3 Regional workshops	\$ 57,660	\$ 23,760	\$ 33,900	\$ -
Subtotal	\$ 383,820	\$ 174,240	\$ 202,380	\$ 7,200

Component II: Technical cooperation

	TOTAL COST	MIF	Local contribution - ASBA (in cash)	Local contribution - ASBA (in kind)
II.1 Country evaluations	\$ 22,800	\$ 900	\$ -	\$ 21,900
II.2 Identification of priorities and implementation plans	\$ 64,370	\$ 18,000	\$ 46,370	\$ -
II.3 Technical cooperation	\$ 84,386	\$ 73,136	\$ 11,250	\$ -
Subtotal	\$ 171,556	\$ 92,036	\$ 57,620	\$ 21,900

Component III: Specialized peer training

	TOTAL COST	MIF	Local contribution - ASBA (in cash)	Local contribution - ASBA (in kind)
III.1 Training	\$ 624,600	\$ 232,200	\$ 392,400	\$ -
III.2 Internships	\$ 57,800	\$ 51,200	\$ 6,600	\$ -
Subtotal	\$ 682,400	\$ 283,400	\$ 399,000	\$ -

Administration

	TOTAL COST	MIF	Local contribution - ASBA (in cash)	Local contribution - ASBA (in kind)
Executive secretary (15% time)	\$ 94,500	\$ -	\$ -	\$ 94,500
Monitoring and supervision specialist (full time)	\$ 147,000	\$ 147,000	\$ -	\$ -
Accountant (50% time)	\$ 35,700	\$ -	\$ -	\$ 35,700
Administrative, oversight, and monitoring materials	\$ 5,000	\$ 5,000	\$ -	\$ -
Subtotal	\$ 282,200	\$ 152,000	\$ -	\$ 130,200
Project evaluation and audits	\$ 33,500	\$ 33,500	\$ -	\$ -
Contingencies	\$ 6,024	\$ 6,024	\$ -	\$ -
Subtotal	\$ 321,724	\$ 191,524	\$ -	\$ 130,200

PROJECT TOTAL	\$ 1,559,500	\$ 741,200	\$ 659,000	\$ 159,300
		47.5%	42.3%	10.2%

Related Projects in the Region**A. Similar or related MIF projects.**

None.

B. Similar or related Bank project.

Project number and date of approval	Project name, executing agency, and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments

C. Projects related to the same sector or beneficiary group.

Project number and date of approval	Project name, executing agency, and amount	Date of signature and disbursement period in months	Percentage disbursed	Comments
ATN/MT-8538-BL 12/9/2003	Banking and Non-Banking Supervision Supervisión de Instituciones Bancarias y No Bancarias Central Bank of Belize US\$ 500,000 MIF Contribución	1/19/2004 42 months	16%	This operation had not been progressing at the pace originally planned. A decision was taken to contract the services of a project manager to dedicate the necessary time to project execution. Since that decision was taken there has been a marked improvement in focus on project execution. A work plan for the execution of the project has been prepared and

Annex III: Peer Led Effort to Improve Compliance with Basel Core Principles (RG-M1070)

				approved and is now in operation. Additionally, at the suggestion of the COF, a steering committee for project execution was set up in early February 2006. The understanding of the project within the various departments of the central bank has expanded and a sense of ownership is developing.
ATN/MT-5946-BO 5/16/1998	Supervisory No-Formal Financial Entities Fort.sbef Desarrollo Entidades Microfin. SUPERINTENDENCIA DE BANCOS Y ENTIDADES US\$ 1,200,000 Contribución FOMIN	6/20/1998	100%	El proyecto concluyo satisfactoriamente en cuanto al alcance de los objetivos de desarrollo aunque no se lograron completar todas las actividades previstas en el diseño del proyecto.
ATN/MT-7252-DR 12/6/2000	Support Program for Bank Supervision Programa de Apoyo Supervision Bancaria BANCO CENTRAL DE LA REPUBLICA DOMINICANA US\$1,300,000	12/20/2000	100%	El proyecto concluyó de forma satisfactoria. La crisis del sistema bancario del 2003 y los compromisos asumidos por el Gobierno en el acuerdo con el FMI, han originado que los componentes de regulación y especialmente el de supervisión del sistema bancario, se desarrollen con un alcance y a un nivel superior al previsto en el diseño original del proyecto.

Annex III: Peer Led Effort to Improve Compliance with Basel Core Principles (RG-M1070)

ATN/MT-4471-ES 3/14/1994	<p>Strength.financial Sector Superintendency</p> <p>Fort. Superintendencia Sector Financiero</p> <p>SUPERINTENDENCIA DEL SISTEMA FINANCIERO</p> <p>US\$1,832,000</p>	5/27/1994	100%	El proyecto a pesar de los atrasos concluyó de forma satisfactoria.
ATN/MT-7827-GU 4/3/2002	<p>Strengthening Bank Supervision</p> <p>Fortalecimiento de la Supervisión Bancaria</p> <p>SUPERITENDENCIA DE BANCOS</p> <p>US\$1,000,000</p>	5/23/2002	12%	<p>Este proyecto tiene una clasificación insatisfactoria porque está experimentando serios atrasos en su ejecución. Hasta la fecha la SIB ha concluido en gran medida con las actividades previstas para el Componente 1; sin embargo, todavía no ha contratado a los consultores que deben apoyar con las actividades del Componente II (el más relevante en términos de inversión e importancia). Adicionalmente a los problemas en la contratación de la firma, se estima que el reciente cambio en la estructura gerencial de los mandos ejecutivos en la SIB, que se dió a partir de la renuncia del Superintendente de Bancos, y los principales Intendentes entre noviembre 2004 y febrero 2005, ha</p>

Annex III: Peer Led Effort to Improve Compliance with Basel Core Principles (RG-M1070)

				contribuido a que el proyecto haya sufrido un serio retraso en su ejecución.
ATN/MT-5235-HO 5/29/1996	Strenght. Banking & Insurance Commission Fort. Comision de Banca y Seguros COMISION DE BANCA Y SEGUROS US\$1,530,000	8/9/1996	100%	El proyecto concluyó de forma satisfactoria.
ATN/MT-5855-RG 1/23/1998	Bank and Securities Market Supervision Supervision Bancaria y Bursatil IDB US\$1,300,000	1/23/1998	100%	El proyecto concluyó de forma satisfactoria.
ATN/MT-7975-NI 8/7/2002	Support for Superintendency of Banks and other Financial Institutions Apoyo Superintendencia de Bancos y otras Instituciones Financieras SUPERINTENDENCIA BANCOS US\$1,238,000	9/5/2002	60%	El proyecto tiene una clasificación satisfactoria. La Superintendencia de Bancos ha hecho esfuerzos considerables en el último año para superar los problemas técnicos y de administración interna con que inicialmente se vió plagado el proyecto. El nuevo superintendente, que ingresó a principios del 2005, ha tomado las riendas en sacar adelante

Annex III: Peer Led Effort to Improve Compliance with Basel Core Principles (RG-M1070)

				el proyecto y en el logro de los objetivos de desarrollo.
ATN/MT-6634-PE 9/1/1999	Streng. Superintendence Banks & Insurance Fort. Superintendencia Banca y Seguros SUPERINTENDENCIA DE BANCA Y SEGUROS US\$1,000,000	12/27/1999	86%	El proyecto tiene una clasificación insatisfactoria. La SBS se ha mantenido muy activa en fortalecer su supervisión a las instituciones micro financieras (objeto del proyecto), pero muchas de las acciones fueron financiadas con sus propios recursos o con recursos de otros donantes. Durante los primeros años de ejecución del proyecto, con recursos propios, la SBS llevó a cabo numerosas inspecciones a todas las instituciones micro financieras reguladas.
ATN/MT-5479-PR 1/15/1997	Inst. Strength. of Banks Superintendency Fort. Inst. Superintendencia de Bancos BANCO CENTRAL DEL PARAGUAY US\$1,200,000	3/3/1997	100%	N/A
ATN/MT-7926-PR	Strengthening of Transparency &	7/31/2002	12%	The project currently has an unsatisfactory

Annex III: Peer Led Effort to Improve Compliance with Basel Core Principles (RG-M1070)

6/26/2002	<p>Formalization of the Financial System</p> <p>Fortalecimiento de la Transparencia y Formalización del Sistema Financiero</p> <p>SUPERINTENDENCIA DE BANCOS, PARAGUAY</p> <p>US\$641,000</p>			classification due in great part to the lack of institutional capacity of the executing agency.
<p>ATN/MT-6025-TT</p> <p>6/26/1998</p>	<p>Support to Banking Supervision</p> <p>Apoyo a Supervisión Bancaria</p> <p>CENTRAL BANK OF TRINIDAD AND TOBAGO</p> <p>US\$720,000</p>	10/7/1998	100%	The project concluded in a satisfactory manner.
<p>ATN/MT-6983-TT</p> <p>5/31/2000</p>	<p>Consolidated Supervision Financ.sector</p> <p>Supervisión Integrada Sector Financiero</p> <p>CENTRAL BANK OF TRINIDAD AND TOBAGO</p> <p>US\$1,186,000</p>	10/20/2000	100%	The project concluded in a satisfactory manner.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-___/06

Regional. Nonreimbursable Technical Cooperation ATN/MT-____-RG
Peer Led Effort to Enhance Compliance with Basel Core Principles

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 Association of Supervisors of Banks of the Americas (ASBA), and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-___ with respect to technical cooperation for peer led effort to enhance compliance with Basel core principles.

2. That up to the amount of US\$741,200, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the 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.

LEGIII/MIF-RG-701230-06
RG-M1070