

Financial Sector Program

ECUADOR

SECTOR: Finance

PROJECT NAME: Financial Sector Program
(833/OC-EC; 834/OC-EC)

TOTAL COST: \$110 million

FINANCING: IDB \$110 million

DATE OF APPROVAL: November 16, 1994

GENERAL DESCRIPTION: The objectives of this program are to expand and deepen financial intermediation activities, as well as develop the capital market by: (a) fostering a more efficient and competitive financial system; (b) establishing adequate prudential oversight of financial institutions; (c) encouraging the emergence of new mechanisms to attract medium- and long-term savings, as well as developing the infrastructure and financial instruments needed to channel these savings toward private sector investment; and (d) expanding access to financial services, especially for small-scale savers and borrowers.

The program will support reforms in the following areas: the structural and operating framework of the financial system; the operations of the insurance market; the supervision of the financial and insurance systems; Central Bank operations and management of monetary policy instruments; financial services in rural areas; the legal and regulatory frameworks of the securities market; and the pension system.

The program has four main components: (a) the establishment of a legal framework to improve competitiveness and efficiency in financial institutions and insurance operations; (b) an action plan to improve

supervision of financial institutions and insurance companies; (c) enactment of new legislation on the monetary system that will bring the Central Bank's operations in line with a more efficient financial system; and (d) implementation of a legal and regulatory framework for securities market operations to promote the development of infrastructure and to channel a greater percentage of long-term savings into investments.

CONSULTANTS:

The technical cooperation component will finance consulting services for the following areas: (a) supervision of the financial and insurance systems; (b) the Central Bank and monetary policy instruments; (c) financial services in rural areas; (d) pension system and social security reforms in the health field; (e) improved performance in supervising the securities market; and (f) support for the Central Bank's executing unit. Consultants will also be employed to provide advice on insurance matters to the Superintendency officials.

GOODS AND EQUIPMENT: Computers, software and other computer-related equipment will be acquired following the Bank's procurement procedures.

EXECUTING AGENCY:

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