FINANCIAL MARKET DEVELOPMENT

Support from the Inter-American Development Bank Group

1990-2002

FEBRUARY 2003

INTER-AMERICAN DEVELOPMENT BANK

Sustainable Development Department

Infrastructure and Financial Markets Division

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The Infrastructure and Financial Markets Division of the Sustainable Development Department (SDS/IFM) has prepared this fourth edition of *Financial Market Development. Support from the Inter-American Development Bank Group*. Edgardo Demaestri and Juan José Durante prepared this publication with the collaboration of Paul Moreno and under the general supervision of Pietro Masci, Chief of SDS/IFM. The Regional Operations Departments, the Research Department, the Regional Operations Support Office, the Integration and Regional Programs Department, the Private Sector Department, the Inter-American Investment Corporation, and the Multilateral Investment Fund provided support and inputs. Antonio Vives and Jorge Rivas (November 1997); Tracy Phillips, Karin Larsen and Kim Staking (September 1999); and Edgardo Demaestri, María Antola, and Paul Moreno (2001) prepared the earlier editions of this document. This publication is not an official Bank Group document, as its authorities have not approved it.

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FOREWORD

Well functioning financial markets are one of the most important factors for economic development and growth. They allow the reduction of the cost of capital, foster progress and innovation, and their role has become even more important with globalization. Relatively underdeveloped financial markets in Latin America and the Caribbean create bottlenecks that impede economic growth as well as the reduction of poverty in the region. Governments, regulators, policymakers and the private sector are becoming increasingly aware of the challenges ahead and are undertaking actions to address them.

The institutions that make up the Bank Group—the Bank, the Inter-American Investment Corporation and the Multilateral Investment Fund—collaborate with governments and the private sector to reduce financial market deficiencies and devote significant resources to financial market development. This effort was reflected in more than 160 projects approved for 25 countries that total approximately US$18 billion between 1990 and 2002. Most of the operations supported financial intermediation, capital markets, insurance markets, pension reform, housing finance, debt reduction, and, more generally, financial market deepening. Despite great expectations and significant accomplishments in financial sector reform over the past thirteen years, much remains to be done. Not all countries have advanced at the same pace, some have even undone parts of previous reforms, and there are elements of financial market development that need to be supported in each country.

This fourth issue of *Financial Market Development* offers a general view of the activities of the Bank Group that supported financial market development in Latin America and the Caribbean during the period 1990-2002. A consolidated description of the activities undertaken in the period is also included, which illustrates the contributions of the Bank Group in the financial market area. The report, which is published every two years, concludes with some comments on how the Bank Group expects to continue its support. The Infrastructure and Financial Markets Division of the Sustainable Development Department prepared the publication as part of its mission to disseminate knowledge, and provide leadership, innovation and technical support in areas related to financial markets.

We hope that this account of activities in the sector shows the contributions of the Bank Group to the development of financial markets in Latin America and the Caribbean and that it serves as a tool for providing better support to our member countries in the future.

Antonio Vives
Deputy Manager
Private Enterprise and Financial Markets Subdepartment
Sustainable Development Department

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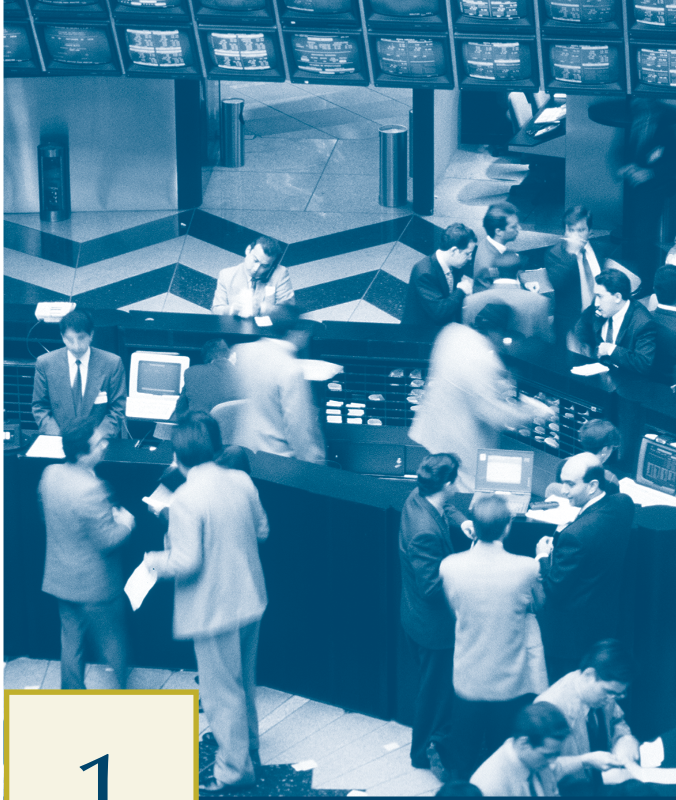


1

Introduction

During the period 1990-2002, the IDB Group (Inter-American Development Bank, Inter-American Investment Corporation, and the Multilateral Investment Fund) provided significant assistance for financial market development in Latin America and the Caribbean. IDB Group operations supported financial reform and market deepening. These actions were aimed at promoting economic development in IDB member countries and at contributing to the transformation of the region into a relevant participant in financial markets.

1. INTRODUCTION

Throughout the 1990s, the Inter-American Development Bank Group provided significant support for financial sector reform in Latin America and the Caribbean. The reforms were aimed at making member countries more attractive to private investors, promoting economic growth, increasing competitiveness, and fostering regional and international integration. The IDB Group has actively supported the transition form state-dominated systems, where the public sector is excessively involved in direct financial intermediation and where central banks are assigned a wide range of quasi-commercial activities, to new paradigms with increasing private sector participation and more focused public sector interventions. These changes mean that the independence of central banks and their concentration on monetary policy were reinforced and the role of the state was redefined.

The IDB Group addressed financial sector activities by targeting six areas that it considers critical: banking intermediation, capital markets, insurance markets, pension systems, housing finance, and debt reduction. Specifically, Bank support for legal reform and strengthening of the supervision of bank and securities markets was fundamental to the financial reform process. The Group supported capital market development, pension and insurance market reforms, the restructuring and strengthening of financial institutions, the development of instruments to facilitate housing finance, and the alleviation of the debt overhang. The provision of funds to finance private sector activities through multisectoral credit operations was an important instrument for extending Bank support. The Bank also provided professional training and assistance in the development of new financial markets, intermediaries and instruments. Most of the reforms focused on building markets and strengthening safety and soundness in order to prevent systemic crises. It should be noted, however, that in some instances the IDB Group provided support as part of broad economic emergency programs, including short-term immediate actions, but these have included long-term conditionalities as well.

This report presents the degree of IDB Group involvement and support in the reform, modernization and deepening of financial markets in Latin America and the Caribbean. It serves as a reference for the IDB Group in the development and implementation of its strategies in this area. Section 2 describes the IDB Group's activities related to lending and technical cooperations for financial market development and its impact on the region. Section 3 provides a brief summary of all financial market operations between 1990 and 2002. Nonlending activities are an increasingly important component of Inter-American Development Bank support to the region. Section 4 discusses the types of nonlending support provided. Nonlending activities include conferences, publications, special meetings, special projects and the preparation of IDB strategies. Finally, Section 5 provides some concluding remarks.

2

Overview of IDB Group Operations

IDB Group operations in support of the development of financial markets were concentrated in the areas of banking intermediation, securities markets, insurance, pension systems, housing finance, debt reduction, and multisectoral credit programs. Within these categories, they emphasized components such as the structure of the legal and regulatory framework, prudential norms, supervisory procedures, restructuring of superintendencies, staffing and professional training, bank restructuring, and central bank strengthening. These areas are essential to financial market stability and regional integration and the vehicle through which the likelihood and intensity of future financial crises can be reduced.

2. Overview of IDB Group Operations

This report considers a total of 167 operations related to financial sector reform and market deepening, including 103 Inter-American Development Bank (IDB) operations, 56 Multilateral Investment Fund (MIF) operations, and 8 operations carried out by the Inter-American Investment Corporation (IIC).

The majority of the operations are IDB sector loans, multisectoral credit programs, debt reduction programs, and IDB and MIF technical cooperations. *Sector loans* provide flexible support for institutional and policy reforms at the sector or subsector level through fast-disbursing funds. These loans try to influence the links and transmission mechanisms between financial market activities and development goals. *Multisectoral credit programs* use Bank financing to promote productive activities in the private sector. Resources are channeled to the private sector through second-tier financial institutions and intermediary financial institutions. *Debt reduction programs* contributed to reducing public sector indebtedness in borrowing countries and enhancing access to international financial markets. *Technical cooperations* are projects that transfer technical knowledge, strengthen managerial and institutional capacity, and support diagnostic, preinvestment and sector studies. Reimbursable and nonreimbursable technical cooperation operations are financed with IDB and MIF resources. The IIC has participated in the financial market development process mainly by funding the private sector and providing assistance to IDB and MIF projects (see table 1).

Between 1990 and 2002, IDB Group operations related to the financial sector accounted for approximately US$18 billion, close to 20% of total IDB Group financing approved for the period.

Table 1: IDB Group Operations in Support of the Financial Sector 1990 – 2002

Type of Operation	Number
IDB Operations	**103**
Sector Loans	40
Multisectoral Credit Programs	31
Debt Reduction Programs	5
Technical Cooperations	14
Others	13
MIF Operations	**56**
IIC Operations	**8**
Total	**167**

MIF technical cooperations totaled US$61 million. The IIC operations identified in this report account for US$70 million (see table 2, and graphs 1 and 2). The list of all operations identified in this report can be found in Annex tables 1 and 2. The tables depict operations ordered by country and by year of approval, respectively.

Table 2: Financial Sector Reform and Market Deepening Operations (US$ million)

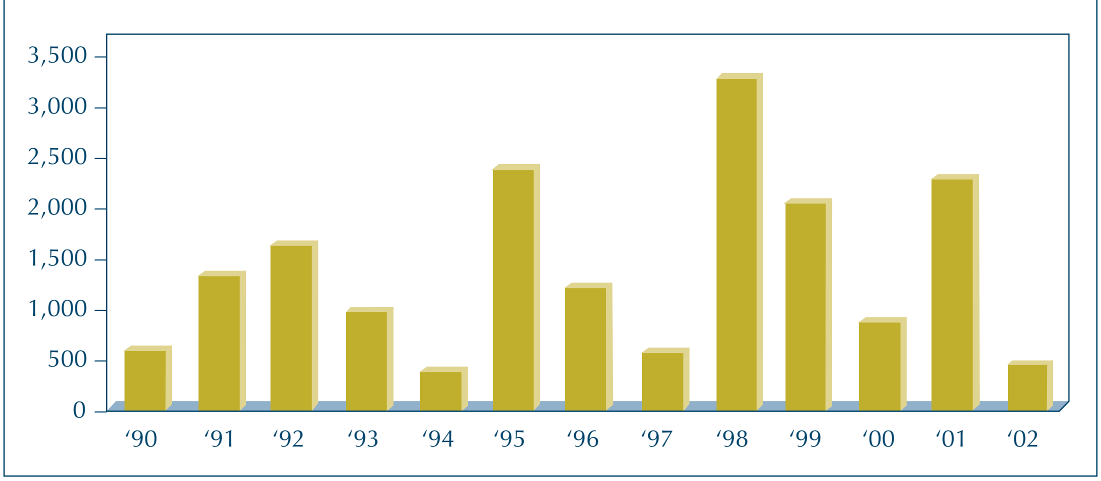
Year	IDB	MIF	IIC	Total
1990	640	0	0	640
1991	1,328	0	0	1,328
1992	1,643	0	0	1,643
1993	984	0	0	984
1994	360	7	0	367
1995	2,380	5	5	2,390
1996	1,246	4	0	1,250
1997	551	8	0	559
1998	3,226	9	5	3,240
1999	2,054	9	0	2,063
2000	856	6	20	882
2001	2,211	2	40	2,253
2002	448	11	0	459
Total	**17,927**	**61**	**70**	**18,058**

In the period 1990-2002, the IDB Group approved operations averaging US$1.4 billion a year. However, the amounts throughout the thirteen-year period were not evenly distributed. In fact, as can be seen from table 2, amounts approved exceeded the average in 1992, 1995, 1998, 1999 and 2001. It is not a coincidence that these years are associated with financial crises that affected the region. The relatively large amount of financing approved in 1995 was in response to the effects of the Mexican crisis. Similarly, increased financing in 1998 and 1999 was a consequence of efforts to address the effects of the East Asian financial crisis, which had a negative impact on the IDB's largest borrowers. In 2001, the Bank provided US$2.3 billion in financial support to the region in an effort to strengthen financial markets and help them cope with the effects of economic problems in Brazil. It should be noted, however, that the increase in financing in 1992 was associated with support for financial sector structural reforms and credit to the private sector.

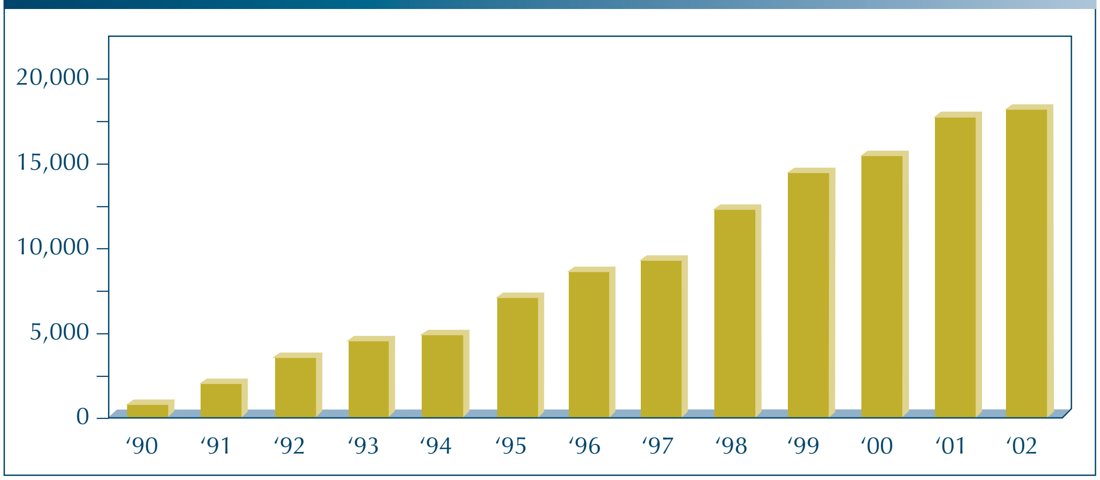
The average size of the operations ("mean") was approximately US$100 million, with individual operations ranging widely from US$78,000 to US$1.2 billion. The "median" was approximately US$10 million.

Most financial sector programs have traditionally involved support for government actions to improve *banking intermediation*, with particular emphasis on strengthening the institutions in charge

Graph 1: IDB Group Financial Sector Operations by Year (US$ million)



Graph 2: IDB Group Financial Sector Operations Cumulative (US$ million)



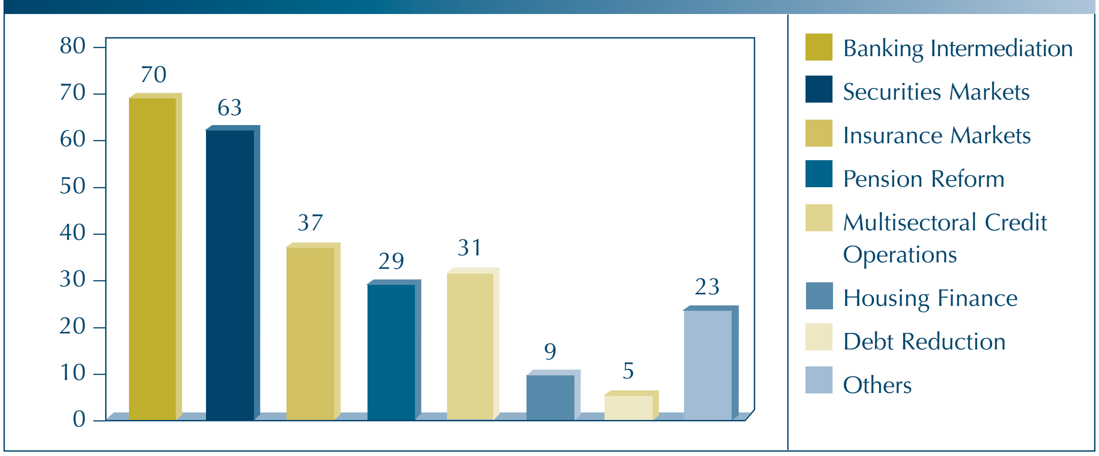
of regulating and supervising financial intermediaries. Supervision efforts have tended to concentrate on the development of appropriate legal and regulatory frameworks and the strengthening of enforcement in debt and equity markets. Several country programs also involved pension and insurance market reforms. These programs included strengthening the superintendencies of pension funds and insurance, developing adequate legal and regulatory frameworks for insurance markets, and restructuring social security pension systems. The latter incorporated the development of private pension systems, improved regulation and oversight of investment practices, and reform of special public sector pension plans. Multisectoral credit programs have increasingly become more relevant, as demonstrated by the larger loans approved, especially to Brazil and Mexico. Housing finance operations supported the development of mortgage instruments as well as the provision of credit to finance housing. Debt reduction programs were designed to support country efforts to restructure and reduce foreign debt (largely commercial bank debt) within the context of the Brady Plan.

The IDB Group has worked closely with the World Bank and the International Monetary Fund in many of these operations, through co-financing of projects and programs, information sharing, and coordination. Several operations have been co-financed with the World Bank such as the two operations in Mexico: Financial Sector Restructuring (ME-0188, 1995) and Contractual Savings Development Program (ME-0197, 1996). The World Bank, along with the International Monetary Fund, was part of a program to strengthen Argentina's banking sector (AR-0254, 1998). When the programs are not co-financed, the institutions work closely together to assure that reform efforts complement each other. This was the case in Colombia where both the World Bank and the IDB supported two complementary financial sector reform programs (CO-0232, 1999). Financial sector reforms in El Salvador and Honduras received important support from the U.S. Agency for International Development (USAID), which provided technical assistance to the governments to complement an IDB sector reform program (ES-0016, 1992). The USAID program was devoted to strengthening supervision of banking and nonbanking financial intermediaries. In 1994, the MIF furthered the overall objective of improving financial supervision in El Salvador by approving a program to strengthen the Financial System Superintendency (ATN/MT-4471-ES, 1994).

Different kinds of operations, such as sector loans and technical cooperations are sometimes combined. Many IDB sector lending operations have incorporated actions relating to the structure and oversight of financial markets that included the enactment of laws, the development and implementation of adequate accounting and auditing standards, and improvements in the effectiveness of new bank superintendencies and securities exchange commissions. Direct support and technical cooperation programs have been instrumental in the implementation of the action plans related to these issues.

The following section of this chapter presents information about financial sector operations in the major areas of interest: banking intermediation, securities markets, insurance markets, pension reform, multisector credit programs, housing finance, and debt reduction. The operations are presented in table 3 of the Annex. Graph 3 depicts the main financial market areas emphasized by the Bank, the MIF and the IIC.

Graph 3: IDB Group Operations by Area of Interest



Areas of Interest in IDB Group Operations

Banking Intermediation

The Bank supported 70 operations in 24 countries and in 7 regional programs to improve banking systems in the region. Activities were carried out in the following areas: development of adequate legal and judicial frameworks, establishment of prudential norms, implementation of modern supervisory policies and procedures, restructuring of bank superintendencies, professional training, development of auditing standards and information disclosure requirements, introduction of early warning information systems, banking restructuring, and central bank strengthening (see table 4 in the Annex).

Legal and regulatory framework activities included the preparation of amendments to existing legislation and the implementation of new laws governing financial systems. *Prudential norms* are being pushed to enhance the solvency and transparency of the financial system, strengthen it through the adoption of internationally accepted standards and practices, and make the regulatory framework more predictable. Programs also include support for *supervisory procedures* to improve on-site evaluation, analysis and monitoring of banking institutions; strengthen mechanisms to control credit limits; introduce rules and procedures for assessing personal loans, housing loans and financial investments. Lastly, *staffing and professional training* activities support training and recruitment programs that have an important impact on the degree of success and sustainability of the reforms carried out by bank superintendencies. Legal and regulatory framework activities were considered in 47 operations (19 countries and 1 regional operation).

Activities directed at the enhancement of *prudential norms* were included in 34 operations in 18 countries. Basic improvements in prudential regulation included establishment of standards to evaluate commercial loans; definition of operational and control methodologies; setting of accounting standards, including accounting of risky assets, provisioning requirements, interest accruals on past due loans, and capital adequacy requirements; definition and control of related party transactions, including credit limits of the related party; controls and treatment of offshore activities; internal control procedures; publication of interest rates and financial statements; valuation of guarantees; and application of general internationally accepted accounting principles. The purpose of these regulations was to enhance the solvency and transparency of the financial system, strengthen it through the adoption of internationally accepted practices to avoid incentives toward excess risk taking, and add predictability to the regulatory framework.

Enhancement of *supervisory procedures* was considered in 39 operations (19 countries and 1 regional program). This activity included procedures to improve on-site evaluation, analysis and monitoring of banking institutions; strengthen mechanisms to control credit limits; prepare methodologies for the analysis and evaluation of financial institutions; and introduce rules and procedures for assessing personal loans, housing loans and financial investments.

An overall *restructuring of the superintendency of banks* was included as a major activity in 33 operations (18 countries and 1 regional program). IDB operations generally included the

restructuring of the superintendency of banks within a more general program of financial reform. In contrast, restructuring was the main objective of MIF operations. Measures in this area included providing the supervisory entity with administrative autonomy; securing appropriate personnel and financial resources; establishing prudential regulations; and improving management information and other systems needed for the supervisory entity to properly address its responsibilities.

Staffing and professional training activities were introduced in 30 operations (16 countries and 1 regional program). These measures included training and recruitment programs that have an important impact on the degree of success and sustainability of the reform programs undertaken by the bank superintendency.

Programs to adopt *internationally accepted accounting and auditing standards and requirements on the disclosure of information* were introduced in 19 operations in 11 countries. These activities, aimed at enhancing the transparency of the financial system, included monthly or quarterly publication of financial indicators of institutional performance, enhanced information disclosure requirements and specific guidelines for the adoption of uniform accounting principles.

Another important area supported by the Bank is *banking restructuring*. In order to strengthen the financial sector and reduce its vulnerability to future crises, operations in this area have focused on public sector reforms to privatize, restructure or liquidate national, provincial and municipal banks. The Bank provided support for programs in Argentina, Barbados, Costa Rica, Jamaica, Mexico, and Panama through eight operations.

Finally, some operations focused on strengthening the role and functions of *central banks*. The support was mainly directed to matters related to monetary policy, financial infrastructure and financial management. Five operations were approved for five different countries.

Some cases merit highlighting. For example, the operations in Mexico and Venezuela (ME-0188, 1995 and VE-0101, 1995) were linked to major banking crises and therefore included short-term or immediate actions, in addition to longer term financial system restructuring. These actions greatly improved oversight, institutional support to increase long-term performance, and recapitalization and the restructuring of financial entities needed to restore confidence and improve the efficiency of financial operations. A similar operation also provided support for the recapitalization and privatization of financial institutions in Barbados (BA-0012, 1995). The IDB also supported the reform and privatization of provincial banks and pension systems in Argentina (AR-0187, 1995 and AR-0201, 1996) and approved a US$250 million loan to Mexico to promote the continued safety and soundness of the banking system (ME-0227, 2000).

Among the most recent operations approved by the Bank in the area of *banking intermediation* is the financial sector reform program for Guatemala (GU-0119, US$200 million, 2002). The objective of this operation is to modernize the legal framework that applies to the financial sector and to strengthen the regulatory and supervisory entities of the system, in particular the central bank and the superintendency of banks. In addition, the Bank recently approved four technical

cooperations to strengthen the superintendencies of banks and other institutions in charge of banking system supervision in Guyana (ATN/SF-GY, US$700,000, 2001), Guatemala (ATN/MT-7827-RG, US$1,000,000, 2002), Nicaragua (ATN/MT-7975-NI, US$1,238,000, 2002), and Paraguay (ATN/MT-7926-PR, US$641,000, 2002).

Securities Markets

The IDB Group supported 63 securities markets operations in 21 countries as well as in 8 regional programs. Reform measures largely focused on introducing appropriate legal and regulatory frameworks (including self-regulation); setting prudential norms; supporting professional training programs; establishing supervisory procedures and financial information systems; restructuring market oversight entities; modernizing accounting standards, auditing practices and information disclosure requirements; strengthening clearance and settlement systems; supporting various markets (money, debt, equity and commodity exchanges); enhancing the role of institutional investors; and strengthening property rights and their enforcement (see table 4 in the Annex).

Legal and regulatory framework activities included drafting and implementing new laws. This activity was included in 42 operations (20 countries as well as 5 regional programs). Adequate *prudential norms* help regulators improve financial market oversight while fostering market deepening. Procedures to *enhance supervision* focused on increasing private sector confidence in the financial system and particularly on providing appropriate levels of regulation, or self-regulation, and the administration thereof. Implementation of *accounting, auditing and information disclosure* standards and upgrading financial information systems were aimed at providing transparency to the financial system and improving investor confidence. In addition, the IDB Group undertook a number of specific operations involving *market development.* These included support for the development of appropriate clearance and settlement procedures and deepening and development of debt markets.

The enhancement of prudential norms was included in 22 operations in 13 countries. Prudential regulations were adopted to help regulators maintain vigilant oversight over the financial market while fostering market deepening. Reforms for securities markets were aimed at managing risk and making the system more predictable and transparent, while stimulating the supply of securities by focusing on the classification of risk.

Professional training for market regulators was included in 20 operations (11 countries as well as 1 regional program). Because securities markets are at an incipient stage in most of the countries, there is a critical lack of trained personnel. The implementation of measures aimed at the development of capital markets is, therefore, constrained. This indicates an urgent demand for appropriate and sustainable professional training related to capital market development.

Procedures to enhance *supervision* were introduced in 27 operations (16 countries and 1 regional program). These activities focused generally on increasing private sector confidence in the financial system and particularly on providing appropriate levels of regulation, or self-regulation, and the administration thereof. Programs to enhance securities markets supervision

complement the regulation of banking institutions by providing a level playing field and limiting increased risk-taking associated with regulatory arbitrage. In many cases, securities brokers, insurance companies and pension funds were regulated by a variety of unrelated and unqualified governmental agencies or were not regulated at all. IDB operations emphasizing supervisory procedures included the preparation of updated handbooks for supervision of capital markets, and the definition of specific criteria for financial institutions and groups, improved enforcement and the first steps toward consolidated assessment and management of the risk inherent in financial groups.

The *restructuring of securities* markets oversight agencies was included in 24 operations (16 countries and 1 regional program). In some cases, securities markets oversight agencies and agencies to monitor insurance markets and pension funds were integrated into the superintendency of banks. In other cases, these agencies were autonomous or nonexistent. In general, measures were taken to ensure good supervisory performance whether in existing or newly structured agencies.

The establishment of *accounting and auditing standards and information disclosure* requirements was included in 19 operations in 12 countries. Improving auditing and information disclosure standards and upgrading financial information systems, providing transparency to the financial system and confidence to investors, all complement the measures described under bank supervision.

In addition, the IDB Group undertook a number of specific operations involving *securities markets development.* These included support for the development of appropriate clearance and settlement procedures in 12 operations (7 countries and 2 regional programs) and deepening and development of money and debt markets in 19 operations (11 countries and 2 regional programs).

Some recent securities markets operations include a US$150 million financial sector reform loan for Jamaica (JA-0049, 2000), and a US$500 million structural adjustment program for Argentina (AR-0266, 2001) with a strong securities markets component. Also, the MIF supported a technical cooperation to increase the security of the Colombian capital markets (ATN/MT-7793-CO, US$1 million, 2002) by improving the clearance and settlement system.

Insurance Markets and Pension Reform

The IDB Group supported 37 operations in 16 countries and in 4 regional operations that included measures to reform and develop *insurance markets.* Programs focused on introducing appropriate legal and regulatory frameworks; establishing prudential norms; improving supervisory procedures and information systems; strengthening supervisory agencies; and promoting the participation of insurance companies as institutional savers in capital markets.

Regarding *pension reform*, the IDB Group supported 29 operations (15 countries and one regional operation). The programs' primary focus was institutional and regulatory reform.

As an example, the US$1.1 million grant approved for Bolivia in 1999 played a key role in the development of the new social security system. The new system calls for private administration of contributions and individual capitalization, which, in turn, make possible long-term savings

to promote investment projects by stimulating financial markets and infusing highly liquid, fresh resources into capital markets. A related MIF grant of US$1.2 million supported the legal and supervisory development of the new system.

Other examples of programs specifically directed at pension funds are the cases of Argentina and Uruguay (AR-0059, 1992; UR-0057, 1992; AR-0201, 1996; and UR-0108, 1996), which included institutional and regulatory reforms. Chile (CH-0044, 1991) undertook important reforms and provides an interesting case, where amendments were made to the law regarding risk classification, or rating, of securities. The amendment helped pension funds and other institutional investors to acquire securities and venture capital funds. The most recent operation in this area is the Support of the Pension System Reform Program for Nicaragua (NI-0101, US$ 30 million, 2001). This program will facilitate the development of an adequate legal, regulatory and institutional framework for the establishment of private sector providers.

Multisectoral Credit Programs

Multisectoral credit programs provide long-term financial resources to supplement domestic funds to promote productive activities in the private sector. Funds are channeled to the private sector through second-tier financial institutions and intermediary financial institutions. Between 1990 and 2002, the Bank financed 31 operations in 11 countries and 5 regional operations totaling approximately US$7.3 billion. Most projects focused on strengthening the availability of credit for small- and medium-sized enterprises. Multisectoral credit operations for microenterprises are not included in this analysis because they are the topic of another Bank publication.

Operations in this area include a multisector credit operation approved in 1998 for US$155 million intended to promote the deepening of the Uruguayan financial markets by providing a supply of medium- and long-term financing to intermediaries to encourage and enable them to develop new lending programs and meet the investment needs of private enterprise, in particular the needs of SMEs. Another relevant operation is a US$240 million loan for the Multisector Global Financing Program of Chile (CH-0157, 1999). This program provided credit for small and medium enterprises (SMEs) to expand their operating capacity and introduce modern technologies into productive processes. Credit was channeled to SMEs through intermediary financial institutions for investments in machinery, equipment and construction, working capital, commercial leasing and exports.

Main operations approved during the last few years include a US$1.2 billion global credit program for Brazil (BR-0310, 1999) through the National Bank for Economic and Social Development (BNDES); a US$300 million loan for Mexico's multisector global credit program (ME-0117, 2000); and a US$900 million loan to Brazil channeled through BNDES (BR-0331, 2001) to provide credit to micro, small and medium enterprises by expanding the supply of formal credit services for this sector. Other operations recently approved were a US$42.4 million global multisector credit program for El Salvador (ES-0130, 2002); and a US$180 million multisector global financing program for Uruguay (UR-0136, 2002).

Housing Finance

The IDB Group's commitment to solving the housing problem in the region is reflected in the active role it plays in financing various operations in this area. These operations focused on promoting and expanding access to housing finance, developing mortgage instruments and increasing the access to financial services by low-income sectors. Recently, the Bank approved housing programs in Peru and El Salvador.

The role of securitization of housing loans in promoting secondary markets for mortgages has been encouraged to explore the use of this technique in order to increase funds available for housing finance and reduce significant housing shortages. The IIC has supported these kinds of operations in Brazil and Chile. For instance, it financed an US$8 million program for *Delta Leasing Habitacional S.A.* to acquire, package and sell lease-backed securities to institutional investors. Another operation approved by the IDB in 2002 to support the private sector was *Colpatria Mortgage Bond Project*. The objective of this operation is to foster the development of a local mortgage-backed bond market in Colombia. In addition, the project seeks to provide access to long-term funding for origination of new mortgages within the local housing market in Colombia.

Other operations in this area were directed to improving and promoting land legalization, and financing the development of the infrastructure needed to expand the mortgage-related industries. For instance, the IIC financed the acquisition of software and systems for secondary mortgage market infrastructure (BR-1102A, US$1 million, Brazil, 2000).

Debt Reduction

The goal of debt reduction operations was to reduce the debt burden and promote stabilization and structural reforms in indebted countries. In addition to supporting debt (and debt service) reduction programs, these operations provided funding for the purchase of collateral and debt buybacks in line with agreements between countries and commercial banks made during the 1990s. These programs played an essential role in minimizing country risk and in normalizing relations of countries with foreign creditors and international financial markets. The Bank financed five debt reduction operations totaling almost US$800 million in Argentina, Ecuador, Nicaragua, Panama, and Peru.

Other

This category considers operations that support areas of activities not included in the main categories described above. They cover diverse areas from rural finance to the development of financial instruments for risk management associated with natural disasters and the support for remittance services to immigrants. The Bank approved a total of 23 operations, including support to 13 countries and 4 regional programs.

The Bank financed the program *Support for Small Farmers* through PROCAMPO (US$500 million,

Mexico, ME-0213, 2001). The project's objective is to build the capacity of small-scale dryland farmers to make more efficient use of their resources in their productive operations. This objective will be pursued by financing advance payments to small farmers before they plant their crops so that they can use them in production activities and avoid high risk financial costs.

Natural disasters cause important losses in Latin America and the Caribbean every year. In order to provide financial protection for both the private and public sectors, the Bank has undertaken studies and approved a few operations in this area. One of the programs approved in 2002 is a technical cooperation which will support El Salvador's efforts to respond to natural disasters by evaluating and elaborating a financial risk management strategy (ATN/SF-8025-HO, US$150,000).

The IDB supports financial institutions in designing remittance-related financial products and services in order to foster local economic development and the inclusion of the beneficiaries of remittances in the formal financial system. The Bank is carrying out operations aimed at reducing the costs of remittances by stimulating competition among providers of remittance services, promoting the dissemination of information among migrants and improving the regulatory frameworks for financial services. The following operations were recently approved: (i) a US$1.5 million technical cooperation for El Salvador (ATN/ME-7886-ES, 2002), and (ii) two technical cooperations for Mexico for an amount of US$1.1 million and US$460,000 respectively (ATN/ME-7717-ME, 2001 and ATN/ME-7834-ME, 2002).

Regional Financial Market Development

Regional operations provide support for the development of financial markets with a regional perspective. This report identifies 20 regional operations that were approved during the last thirteen years. These operations focused on the main areas previously described, particularly on banking intermediation, securities and insurance markets, and multisectoral credit operations, the latter being the most important in terms of the funding involved.

The five regional multisectoral operations approved were: (i) a US$200 million loan to the Andean Corporation Fund to support the private sector in IDB member countries (RG-0010, 1993); (ii) a US$37 million loan program to support the lending activities of the Caribbean Development Bank (RG-0037, 1996); (iii) a US$300 million loan to the IIC for lending to the private sector in the region (RG-0014, 1997); (iv) a US$100 million loan to the Central American Bank for Economic Integration (CA-0008, 1997); and (v) a US$20 million loan for additional support to the Caribbean Development Bank (RG-0056, 2002).

The other 15 regional operations are technical cooperations. Among the programs undertaken, five may be underscored.

The *Financial and Securities Market Development Program* (ATN/SF-5274-RG, US$850,000, 1996) was designed in response to a mandate from the finance ministers of the western hemisphere.

In general terms, the project was created to support policy research and training programs on financial and securities markets in the Latin America and the Caribbean. This operation included five subprograms: (i) risk management, (ii) financial systems survey, (iii) best practices in accounting and auditing standards, (iv) pilot training programs in bank and securities market supervision, and (v) investor education.

The *Bank and Securities Markets Supervision Regional Training Program* (ATN/MT-5855-RG, US$1.3 million, 1998) was designed to enhance regional or subregional training of bank and securities markets regulators. By supporting training at the regional level the program facilitates the harmonization of market rules, improves the compatibility of market information, and furthers the integration of the region's financial and capital markets. To permit the development of a consistent supervisory approach and common minimum standards, training funded by this MIF technical cooperation was limited to programs with a regional focus.

The *Financial Sector Activities and Poverty Reduction Program* (ATN/SF-7297-RG, US$115,000, 2000). This program seeks to investigate the relationship between financial sector activities and poverty reduction in order to identify financial policies and services that may have a significant impact on income distribution and poverty reduction.

The Bank is implementing the *Regional Financial Sector Policy Framework Program* to develop a regional forum of financial sector policymakers and regulators to discuss key issues for supporting financial sector development (ATN/SF-7464-RG, US$150,000, 2001). It is worthwhile noting that because of its comprehensive nature, this operation involves the areas of banking intermediation, securities and insurance markets.

Another operation approved in 2002 was *the Support for the Exchange of Know-How and Experiences among Development Banks in Latin America and the Caribbean* (ATN/MT-7872-RG, $275,000). This program is financed with MIF resources and is being implemented by ALIDE (Asociación Latinoamericana de Instituciones Financieras para el Desarrollo). The specific objective of this program is to support the exchange of experiences and the transfer of know-how on specialized banking techniques and financial approaches among development banks in Latin America and the Caribbean.

Finally, other areas supported by regional financial sector operations include harmonization and development of capital markets, regional and subregional financial system integration, and initiatives to restrict money-laundering activities.

The Inter-American Development Bank, the Multilateral Investment Fund, and the Inter-American Investment Corporation have financed projects that address the development of financial markets, provide support during banking crises, promote private sector activities and provide financing through multisectoral credit operations. The Group has also provided technical support for the development of financial strategies, innovation in financial risk activities, development of primary and secondary mortgage markets, and other financial sector activities.

3

Operations Involving Financial Sector Reform and Market Deepening

3. Operations Involving Financial Sector Reform and Market Deepening

This section describes the operations dealing with financial sector reform and market deepening, highlighting each operation's main aspects. Operations are listed by country and ordered by date of approval. Regional operations are listed at the end of the section.

Despite the fact that many important operations focusing on micro, small- and medium-size enterprises had an impact on financial markets, only those corresponding to multisectoral credit programs for small- and medium-size enterprises have been included in this report. IDB Group operations for micro, small- and medium-size enterprises are discussed in the following IDB publications: *IDB Group Support to the Microenterprise Sector (2000-2002): Achievements, Lessons, and Challenges* and *IDB Group Support to the Small- and Medium-Size Enterprise Sector (1990-2002): Achievements, Lessons, and Challenges*.

1. Argentina

1.1. GLOBAL CREDIT PROGRAM FOR SMALL BUSINESSES AND MICROENTERPRISES AR-0213, PR-1802, $45,000,000, 1991

The objective of this program was to expand microentrepreneurs access to credit and provide technical assistance to help them increase production and income, while at the same time maintaining or increasing rural and urban employment opportunities. The program resources were used to grant short- and medium-term loans to finance the purchase of fixed assets, working capital and technical assistance services. The resources were channeled through the central bank to intermediary financial institutions (IFI) that complied with the eligibility criteria. The program also covered the costs of a technical assistance component for technical assistance institutions and IFIs.

1.2. PUBLIC SECTOR REFORM PROGRAM AR-0215, PR-1792, $325,000,000, 1991

This is a small component of a public sector reform loan in which several important banking supervision measures were introduced as first and second tranche conditions. The measures included drafting, submitting to Congress, enacting and implementing a new Financial Management and Performance Control Law; reorganizing the banking superintendency and implementing that reform; and establishing an action plan on systems and training for the Superintendency of Banks.

1.3. INVESTMENT SECTOR REFORM PROGRAM AR-0059, PR-1901, $350,000,000, 1992

Two of the main objectives of the program were to strengthen the Superintendency of Banks and to develop a modern regulatory information system. The commitment made by the central bank included the implementation of action plans to foster the establishment of modern supervision practices, information systems and extensive professional training programs, establishment of

the legal, regulatory and institutional structures needed to develop new financial instruments, and improvement of the supervisory capability and level of training of the regulatory authorities. In addition, this program was aimed at helping the government to develop securities markets by strengthening enforcement mechanisms, improving the training and professional development of regulators and developing the legal and regulatory structure for derivative markets. The program was also designed to assist the government in carrying out comprehensive analyses of at least five agreed upon provincial banks as well as pension systems in at least eight provinces.

1.4. DEBT SERVICE REDUCTION LOAN
AR-0139, PR-1902, $400,000,000, 1992

The operation contributed to Argentina's medium-term development by giving the government the time it needed to implement structural reforms that would promote macroeconomic stability. The proposed debt and debt service reduction loan, which financed interest and principal collateral for par bonds, enabled the government to regularize its relationships with external creditors in a way that was fiscally sustainable, thus improving Argentina's country risk.

1.5. GLOBAL MULTISECTOR CREDIT PROGRAM
AR-0055, PR-1963, $300,000,000, 1993

The program was designed to enhance the functioning of domestic medium-term credit markets, and to increase access to medium- and long-term credit for the productive sector. Since strong banking supervision is important to the success of the program, strengthening banking supervision was a precondition for first disbursement. The government had to present a plan and a precise timetable for completing this task, including establishment of management information systems, accounting and auditing standards, supervisory capacity, training programs, supervisory norms and examination procedures, and international standards for disclosure. However, the responsible institution was unable to effectively disburse the funds and consequently the loan was cancelled at the request of the Argentine government.

1.6. PROVINCIAL BANKS PRIVATIZATION SECTOR LOAN
AR-0187, PR-2036, $750,000,000, 1995

Loan operation to continue public sector reforms initiated under other Bank operations and to promote the economic development of Argentina's provinces through the privatization or closure of eligible provincial and municipal banks. Loan funds financed CIF costs of eligible imports, and the governments established trust funds that were distributed to provinces in order to cover short-term liquidity needs. Specifically, program funds were used to: (i) pay back private deposits; (ii) repay short-term advances from the central bank and a state-own bank; (iii) repay bonafide liabilities; (iv) fund voluntary reduction-in-force programs; and (v) cover costs associated with advisors and consultants hired to draft documents for the privatization of specific banks. This program responded to an unexpected and historic opportunity to privatize or close most provincial banks, which have been a weak link in both the financial system and provincial fiscal management for some time. The privatization of provincial banks was intended to reduce public sector presence in the economy, and encourage compliance with the government's broader financial policies that target improved efficiency and solvency of financial intermediation, with capital adequacy of financial institutions and provisioning based on risk-weighted assets.

1.7. CREDIT GUARANTEE SYSTEM FOR SMALL- AND MEDIUM-SIZED ENTERPRISES ATN/MT-5080-AR, MIF/AT-66, $610,000, 1995

This project was designed as a nonreimbursable technical cooperation to establish the legal and regulatory framework for a credit guarantee system for small- and medium-sized businesses. It supported the Argentine government by: (i) preparing the regulations and legal framework for the reciprocal credit guarantees system; (ii) appointing the supervisory authority and strengthening the capacity of the central bank to exercise supervision and control over the new reciprocal credit guarantee companies (SGRs); and (iii) encouraging the establishment of SGRs in Argentina by training future operators to ensure the program's efficiency and sustainability with minimal intervention by the public sector. To reach these goals, the program was divided into three subprograms, each of which was designed to strengthen the enforcement authority; support the regulatory development of the reciprocal credit guarantee system; strengthen the capacity for inspection and control of the SGRs by the central bank; and disseminate information about the new system and provide training for its potential operators. This new system facilitates access to credit by small- and medium-sized businesses, both in terms of the number of beneficiary enterprises and the volume of guaranteed credit.

1.8. PROVINCIAL SOCIAL SECURITY SECTOR REFORM AR-0201, PR-2151, $320,000,000, 1996

This loan operation was intended to support the government of Argentina to strengthen social security institutions, consolidate reforms and balance provincial budgets. Consistent regulations promoted improvements in equity. Efforts to stimulate private savings and investment by allowing provincial employees to join the system of pension fund administrators promoted the development of capital markets. Finally, these reforms lessened the impact of retirement funds on provincial budgets. The program also provided support for strengthening the National Social Security Administration (ANSES) and established controls to prevent fraud and evasion in the consolidated system. The program consisted of three components, the first of which involved the transfer of active and noncontributing members and the related revenue and expenditures as well as support for capital market development. The second component focused on restructuring ANSES to improve its administrative and financial operations, efficiently absorb the CPPs, and lessen the fiscal impact of the social security deficit. The third component called for cutting benefits to ineligible payees in order to generate savings for the system.

1.9. MUNICIPAL REFORM AND DEVELOPMENT PROGRAM AR-0250, PR-2371, $250,000,000, 1998

The primary focus of this program was to establish and enforce the institutional conditions necessary for self-sustaining development in Argentina's municipalities. A small but important subprogram ($2 million of the total program cost, which is estimated at $500 million) was designed to help to devise financing mechanisms whereby municipalities can access the capital markets directly to secure medium- and long-term private funding for capital investment projects. The subprogram set up a mechanism that allows qualifying municipalities (those meeting the reform

requirements established by the program) to gain access to long-term private sector funding. The program also included a number of studies on financial intermediation arrangements that could be used to secure long-term financing for municipal projects.

1.10. SPECIAL STRUCTURAL ADJUSTMENT PROGRAM AND STRENGTHENING OF BANKING SYSTEM SAFEGUARDS

AR-0254, PR-2370, $2,500,000,000, 1998

This emergency loan was intended to strengthen the banking sector, deepen macroeconomic reforms and improve the social safety net. The loan to be disbursed in conjunction with programs also supported by the International Monetary Fund and the World Bank was designed to counteract global financial shocks resulting from the 1997-98 Asian financial crisis and the foreign debt default by Russia. The loan had two components. One component ($500 million) focused on the strengthening of the central bank's system of banking safeguards, known as the Repo System, which is a bond repurchase arrangement between the central bank and a group of commercial banks. It served to ensure that the banking system had the necessary liquidity to withstand sudden financial stress. The other component ($2,000 million) contemplated reforms in four major areas: (i) intergovernmental fiscal relations; (ii) social sector; (iii) infrastructure and public utilities; and (iv) financial sector. To avoid distortions in presenting the information, it is assumed that $500 million of this component may be allocated to the financial sector.

1.11. FINANCIAL SERVICES SECTOR PROGRAM

AR-0266, PR-2579, $500,000,000, 2001

This program supports the execution and implementation of reforms in the pension, insurance and capital markets. The project has four components: macroeconomic framework, pension systems reform, insurance sector restructuring and capital markets development. The objectives of this program are (i) to promote a competitive and financially sound marketplace; (ii) foster the delivery of high-quality and cost-efficient financial services; (iii) improve governance of institutions and corporations; and (iv) strengthen the regulatory functions and enforcement capabilities of regulators. This program is expected to enhance competition among providers of financial services and protect property rights of investors and consumers by fostering more transparency from financial services providers. In addition, this program will help expand the pension, insurance and financial markets.

1.12. TECHNICAL COOPERATION- FINANCIAL SERVICES SECTOR PROGRAM

AR-0284, PR-2579, $2,000,000, 2001

Part of the Financial Sector Program mentioned above, consists of technical assistance which finances a series of studies to provide a basis for second tranche policies and future reforms in the financial services markets as well as finance the project implementation unit. The technical cooperation loan provides extensive support to the executing agency (the Ministry of Economy) in terms of staffing and expert consultants in the areas of insurance supervision and regulation and capital markets.

2. Bahamas

2.1. MULTISECTORAL CREDIT PROGRAM
BH-0015, PR-1882, $21,000,000, 1992

The credit program had two main objectives: the development of reliable capital markets for long-term lending through the Bahamian private sector and the generation of a series of new project initiatives by the country's small- and medium-sized businesses. The program included a technical assistance component providing for the training of both intermediaries and end-users of funds in various aspects of entrepreneurship and marketing, financial planning and the administration of joint ventures. This program involved two ordinary capital loans, one for $14 million and a second for $7 million. This loan was used to establish a credit facility to be drawn upon by the Bahamian private sector. The financing featured a variety of technical assistance components at the levels of the executing agency, financial intermediaries and borrowers. Project lending was carried out by the Bahamas Development Bank (BDB), working both independently as a source of funds for private domestic borrowers and in concert with the country's central bank as a source of capital for qualifying financial intermediaries, private commercial banks and a second-tier financing in the productive sectors. The central bank administered periodic auctions to allocate funds to these intermediaries.

2.2. PROGRAM TO SUPPORT CAPITAL MARKETS MODERNIZATION
ATN/MT-6083-BH, MIF/AT-190, $500,000, 1998

This technical cooperation was intended to assist the government of The Bahamas in its efforts to upgrade the existing Securities Board, develop international securities exchange, and promote investor education. Upgrading the Securities Board included personnel training and the establishment of guidelines for the effective management of a well-functioning regulatory agency, oversight of the issuance process, secondary trading, information dissemination, and standards for enforcement of regulations. The second component, development of the Bahamas International Securities Exchange (BISX), involved support for the implementation of a functional exchange with both domestic and international tiers, allowing for a transparent and public platform for trading. The final component was concerned with promotion of the two institutions and education of the general public, brokers/dealers, custodial banks and other market participants.

3. Barbados

3.1. INVESTMENT SECTOR REFORM PROGRAM
BA-0012, PR-2081, $35,000,000, 1995

This program supported and encouraged the creation of an agreement on a new Financial Institutions Act to strengthen the government's oversight of the financial system, and reform public development banks and strengthen bank supervision to oversee capital standards. In addition, the program financed a study of the regulatory environment for all finance-related institutions in Barbados; the preparation of recapitalization and privatization plans for the National Bank of Barbados; the liquidation of the Barbados Development Bank; the preparation of background studies and an initial implementation plan for a second-tier mortgage bank; an agreement on required improvements to primary and secondary government securities market and its further implementation and maintenance of targets.

3.2. STRENGTHENING OF THE BARBADOS SECURITIES MARKET
ATN/MT-7090-BA, MIF/AT-349, $298,000, 2000

This nonreimbursable technical cooperation contributed to the sustained development and expansion of the financial sector of Barbados by providing support to strengthen the legal and regulatory framework that governs emerging capital markets, and establishing an adequate institutional structure for market regulation and supervision. It also provided assistance for the Securities Exchange of Barbados (SEB) in the areas of training, dissemination and business planning. In addition to the SEB, the Ministry of Finance and Economic Affairs was involved in the execution of the project.

4. Belize

No specific operations.

5. Bolivia

5.1. MULTISECTOR LENDING PROGRAM
BO-0088, PR-1789, $80,000,000, 1991

This loan supported the reform of Bolivia's financial sector, promoted private investment and funded a multisectoral global credit program. Specifically, it supported a multisectoral credit program that complemented financial and investment reforms and provided medium- and long-term financing to the private sector (especially small- and medium-sized businesses) through a competitive market pricing mechanism. It also supported institutional and operational reforms to improve the financial intermediation process. A technical cooperation from the government of Switzerland helped strengthening the institutional capacity of the central bank's credit management unit and intermediary financial institutions as well as fund staff training.

5.2. FINANCIAL AND INVESTMENT SECTOR REFORM PROGRAM
BO-0110, PR-1789, $60,000,000, 1991

This loan was approved together with the Multisector Lending Program (BO-0088) to support the reform of Bolivia's financial sector, and promote private investment. The reforms were intended to improve the competitive banking environment, eliminate controls on interest rates and remove impediments to the development of capital markets. Investment sector reforms supported by the loan opened opportunities for private capital in public enterprises, particularly in the mining and hydrocarbon sectors; developed plans for fostering private participation in major public enterprises and support the privatization of others.

5.3. GLOBAL MULTISECTORAL CREDIT PROGRAM II
BO-0034, PR-2016, $70,000,000, 1994

This program, which was initially executed by the Gerencia de Desarrollo of the Central Bank of Bolivia (BCB), continued the provision of competitively priced medium- and long-term financing for the country's private sector that was begun with the help of an $80 million loan in 1991. The second phase of the program also coincided with the consideration of a new law governing the activities of the BCB that would transfer the responsibility for executing this and other credit operations to an independent, second-tier financing entity. The program functioned

through a credit auction mechanism first established by the BCB in 1990 and which to date has brought interest rates charged by intermediary credit institutions (ICIs) more into line with their own cost of funds. It also increased allocative efficiency across alternative sectors, reduced transaction costs and increased the degree of transparency surrounding the selection of projects for financing. The second phase of the program contained explicit guidelines on environmental control for end-users of credit, including the incorporation of evaluation statements as part of the documentation submitted by sub-borrowers to ICIs.

5.4. STRUCTURAL REFORMS AND CAPITALIZATION PROGRAM
BO-0094, PR-2050, $70,000,000, 1995

This program supported the development of long-term financial markets. The first phase of the financial reform program was financed through a previous IDB program and was aimed at reforming the existing banking system. This program focused on improving the regulation of securities and insurance institutions, as well as strengthening contractual savings and pension mechanisms. In addition, the government planned to further strengthen the financial system by restructuring the central bank and enacting the Organic Central Bank Law and the Superintendency of Banks and Financial Entities Law. Draft securities legislation was prepared and prospective MIF technical assistance was provided to strengthen the Securities and Exchange Commission.

5.5. HOUSING POLICY SUPPORT PROGRAM (PROVIVIENDA)
BO-0008, PR-2291, $60,000,000, 1998

The primary focus of this program was to support the Government of Bolivia in implementing a national housing policy. However, an important subprogram was designed to promote the establishment of a secondary mortgage market, thereby improving access to long-term funds and reducing the risks associated with maturity mismatches. Under this component of the program, Nacional Financiera Boliviana (NAFIBO) received a loan to begin the process of purchasing mortgages to be packaged and securitized. To better ensure the success of the program, the government was expected to undertake complementary actions that include contracting an international investment bank to advise on the structure of securitization and underwriting, risk classification, and issuance and registration of the securities.

5.6. STRENGTHENING OF THE SUPERINTENDENCY OF BANKS
ATN/MT-5946-BO, MIF/AT-169, $1,200,000, 1998

The main objective of this operation was to develop and improve the quality of financial services for disadvantaged groups and microenterprise in Bolivia by strengthening the Superintendency of Banks and Financial Entities (SBEF), which was also the executing agency. The aim was to ensure effective supervision of the increasing intermediation performed by nonbanking entities, to put proper rules and procedures in place, and to incorporate this into the financial institutions providing credit services for small businesses and microenterprises and home financing for low-income groups.

5.7. CAPITAL MARKET CONSOLIDATION AND DEVELOPMENT PROGRAM
ATN/MT-6354-BO, MIF/AT-225, $1,150,000, 1999

This project, which was executed by the Superintendency of Pensions, Securities and Insurance (SPVS), supported the consolidation and development of the securities market in Bolivia, in order to improve resource allocation and the quality of financial services. The appropriate operation

of the securities market would foster private sector confidence, and increase domestic savings and the financing of productive projects with long maturities. In order to build confidence among capital market participants it is essential to have a market that allows savings to be channeled into financial instruments, enabling investors to own assets through ready and reliable transactions and, in turn, help create new sources and alternatives of production and development. The specific objectives of this operation were to facilitate the drafting of suitable rules and regulations for the operation of the securities market; strengthen the Securities Administration by providing support for staff training and sufficient staffing for its operations; and design monitoring systems and operating manuals that would provide and ensure effective market supervision.

5.8. PENSION REFORM IMPLEMENTATION
ATN/MT-6374-BO, MIF/AT-230, $1,100,000, 1999

This technical cooperation grant focused on improving, designing, installing and putting into operation systems to monitor and supervise the compulsory social security system and the capitalization process, incorporating the reforms contained in legislation on pensions, property and public credit. The program was designed to strengthen the Superintendency of Pensions, Securities and Insurance by supporting the development of regulatory and control structures for the new social security system. It also sought to design and disseminate educational material and information to the population sectors with the least knowledge of finance, explaining their rights and obligations under the Property and Public Credit Act and the Pension Act. This was carried out using such means as pamphlets, leaflets, a toll-free information line, statistical summaries, the mass media and the development of information systems. The program provided Pension Administration employees with computer software and hardware.

5.9. INSTITUTIONAL STRENGTHENING OF THE OFFICE OF INSURANCE OVERSIGHT
ATN/MT-6950-BO, MIF/AT-319, $840,000, 2000

The principal objective of this project was to consolidate insurance market operations in Bolivia, to contribute to accelerating the economic growth of the country's private sector. The program provided support to the legal, regulatory and supervisory framework for insurance activities pursuant to the Core Principles of Insurance Supervision for Emerging Markets, established by the International Insurance Supervisors Association (1997). The specific technical cooperation objectives were: (i) to implement the new insurance law; (ii) draft implementing regulations to adapt the current rules to the new insurance law; (iii) bring Bolivian insurance companies in line with the new regulatory provisions; and (iv) strengthen the supervisory capacity of the Office of Insurance Oversight by introducing information technology, staff training, and methods and procedures of supervision and oversight. The project was executed by the Superintendency of Pensions, Securities and Insurance through the Office of Insurance Oversight.

6. Brazil

6.1. GLOBAL MULTISECTORAL CREDIT PROGRAM I
BR-0172, PR-1731, $250,000,000, 1990

This loan, executed by the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) supported the development of the Brazilian productive sector by providing resources for

subloans to private enterprises for fixed assets in all sectors and working capital in the agricultural sector. Individual enterprises as well as producers' associations and cooperatives were eligible for the resources, fifty five percent of which BNDES channeled through financial institutions, including commercial and investment banks, all of which met rigorous eligibility criteria to participate. The banking sector's involvement in the program promoted its role as an agent of economic development. The program expanded, modernized, and diversified private sector activities in industry, transport, storage, telecommunications, energy, social infrastructure, agriculture, technological development, and the environment. As such, it dovetailed with Brazil's Economic Stabilization Plan (the Collor Plan), adopted early in 1990, which relies on the private sector as the principal agent of economic development and sought to increase exports. Individual subloans were capped at $20 million, and program resources were used to purchase machinery, equipment, and services.

6.2. GLOBAL MULTISECTORAL CREDIT PROGRAM II
BR-0155, PR-2093, $300,000,000, 1995

This loan to Brazil's Banco Nacional de Desenvolvimento Econômico e Social channeled credit through participating intermediary financial institutions (IFIs) to finance the acquisition and use of capital assets by private firms. The program continued initiatives begun under the loan described above to develop the country's medium- and long-term credit markets, particularly for small- and medium-sized businesses. Channeling funds through IFIs made it possible for IDB resources to contribute to developing sound portfolio management practices at a time when, following a prolonged period of high inflation, commercial banks in Brazil were making the transition to a market in which lending is again the principal mode of operation. Market deficiencies reflected in the dearth of long-term lending in Brazil's financial system have affected small- and medium-sized firms to a disproportionate degree. The financial charges on funds onlent to IFIs and sub-borrowers were based on the country's long-term interest rate; the IFIs charged their customers a lending fee, to which they may added other commissions. As in the case of the earlier loan, environmental quality control was ascertained on the basis of the standards maintained by CONAMA, the National Environmental Commission.

6.3. BRAZILIAN EQUITY INVESTMENTS III LTD.
BR-1058A, CII/PR-132, $5,000,000, 1995

The Brazilian Equity Investments ("the Fund") is a closed-end investment fund, incorporated under the laws of the Cayman Islands as an exempted company. The Fund sought to earn high long-term capital appreciation through investments in equity and quasi-equity securities of medium-sized companies that need capital funding for expansion. The Fund was listed on the Irish Stock Exchange. It has a life of 7 years plus two years for orderly liquidation, for a total of 9 years. The Fund's investments were mostly in medium-sized companies with high growth potential already operating in Brazil. The sponsors for the project were BEA Associates and Garantia Banking Ltd.

6.4. GLOBAL MULTISECTORAL FINANCING PROGRAM III
BR-0277, PR-2316, $1,100,000,000, 1998

This program enabled the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) to lend to intermediary financial institutions to support the productive sectors, increase the availability of long-term credit to small businesses, promote greater investments in health and

education, and deepen and broaden financial sector reforms included in the Real Plan by stimulating the development of a medium- and long-term capital market in Brazil. The program consisted of three components: providing financial support for microenterprises and small businesses that have formalized their legal status, giving them access to medium- and long-term credit for investments in productive sectors; financing to enhance the competitiveness of small businesses in a more open economy; and strengthening the private sector delivery of health and education services.

6.5. SUPERVISION OF CLOSED PRIVATE PENSION FUNDS
ATN/MT-5949-BR, MIF/AT-171, $1,200,000, 1998

The objectives of this project were to review the legal framework and regulations for the private closed supplemental pension system and to strengthen the system's regulatory capacity as well as the supervisory and compliance monitoring functions of the Supplemental Pension System Secretariat of the Ministry of Social Security and Social Assistance, the body that regulates and supervises the system and was also the executing agency.

6.6. GLOBAL CREDIT PROGRAM FOR SMALL- AND MEDIUM-SIZED ENTERPRISES
BR-0310, PR-2382, $1,200,000,000, 1999

This program supplied multisector global financing to spur job creation in the productive sectors so small- and medium-sized enterprises could modernize and expand their operations to become more competitive. The program took the form of a discount window for medium- and long-term commercial bank loans to small- and medium-sized enterprises to finance purchases of machinery, equipment, and services. All funds for the program were channeled through the Banco Nacional de Desenvolvimento Econômico e Social (BNDES) and then through intermediary financial institutions, which in turn onlent these funds to small- and medium-sized enterprises to finance productive investment projects. The program's main objective was to further the development of a modern manufacturing sector in Brazil; it also supported the Brazilian government efforts to modernize the country's production sectors and make them more competitive. The specific aim of the program was to maintain an adequate flow of medium- and long-term financing on market terms, via the formal financial system, to enable small- and medium-sized enterprises to restructure, improve, and expand efficient operations.

6.7. SFI-SERVIÇOS FINANCEIROS IMOBILIARIOS LTDA.
BR-1102A, CII/PR-242, $1,000,000, 2000

This Inter-American Investment Corporation project was sponsored by SFI-Serviços Financeiros Imobiliários Ltda./International Mortgage Services LLC. The program's funds were used to finance the acquisition of new software and systems so that SFI can strengthen and expand its operations. SFI provided high quality independent mortgage servicing to issuers of mortgage-backed securities in Brazil. Mortgage servicing is critical to the development of a secondary market infrastructure.

6.8. BRAZILIAN SECURITIES
BR-1099A, CII-PR-243, $10,500,000, 2000

The Inter-American Investment Corporation (IIC) approved the purchase of up to $10 million in mortgage-backed securities issued by Brazilian Securities Companhia de Securitização (BS). A subordinated loan for up to $300,000 went to BS. The project helped introduce, through a private

initiative, mortgage-backed securities in the Brazilian capital markets as a new long-term investment instrument for institutional investors. The project also strengthened the capital of BS, making it possible for it to participate in the development of a secondary mortgage market in Brazil. The funding provided by the IIC helped improve the quality of life of low- and middle-income families, making it easier for them to become homeowners. With this project, the IIC contributes with the development of securitization, which in turn can foster the development of a secondary mortgage market in Brazil. It was also expected that the proceeds from selling the mortgage-backed securities to the IIC and, subsequently, directly to institutional investors in the local capital markets allowed the construction of around 11,000 new homes in São Paulo and enable some 50,000 low- and middle-income Brazilians to move to a better home.

6.9. BRAZILIAN MORTGAGES
BR-1117A, CII-PR-243, $200,000, 2000

A subordinated loan went to Brazilian Mortgages Companhia Hipotecária (BM). The project helped introduce, through a private initiative, mortgage-backed securities in the Brazilian capital markets as a new long-term investment instrument for institutional investors. The project would also strengthen the capital of BM in order for it to participate in the development of a secondary mortgage market in Brazil. The funding provided by the Inter-American Investment Corporation (IIC) would help improve the quality of life of low- and middle-income families, making it easier for them to become homeowners. With this project, the IIC contributes to the development of the mortgage origination sector, which can play a catalytic role in developing a secondary mortgage market in Brazil.

6.10. PROGRAM TO EXPAND MARKETS FOR SMALL- AND MEDIUM-SIZED ENTERPRISES IN NORTHEASTERN BRAZIL
BR-0270, PR-2560, $150,000,000, 2001

The objectives of this program are to help raise the efficiency and competitiveness of small- and medium-sized enterprises producing goods and services in the Northeast of Brazil and to create an operating mechanism within the Banco do Nordeste do Brasil for granting loans to small- and medium-sized enterprises through financial intermediaries. This program promotes and finances technical assistance, training programs, productive investments, projects involving innovations, research and development of new technology, trade promotion activities, development of additional infrastructure and institutional strengthening. The program has two components: (i) technical assistance, training, technology research and development, export promotion, and infrastructure and institutional strengthening financed with nonreimbursable contributions; and (ii) loans for productive investments.

6.11. SUPPORT OF MODERNIZATION OF PENSION SYSTEM MANAGEMENT (PROPEV)
BR-0327, PR-2602, $57,000,000, 2001

The main objective of the program is to support modernization of Brazil's pension system management. There are two specific objectives of the program: (i) modernization of the National Social Security Institute in order to obtain greater efficiency, and transparency in the management of the General Pension Scheme which servers member workers in the private sector; and (ii) strengthening the Pension Secretariat to expand its technical assistance capacity at sub-national levels

of government in order to assist them in formulating proposals for reform and in modernizing the management and administration of their Public-Sector Schemes which serve civil servants. The program requires more than one project cycle due to the long-term objectives sought. The first phase of the Program includes the execution of the following two subprograms. The first one is the Modernization of the General Pension Scheme Administration which aims to strengthen the National Social Security Institute through the following components: (i) strengthening management; (ii) process integration; (iii) human resources; and (iv) service to the public. The second subprogram is the development of public-sector pension schemes, which has two components: (i) strengthening the pension secretariat; and (ii) support for the reform and management of municipal pension systems.

6.12. BNDES PROGRAM TO SUPPORT MICRO, SMALL AND MEDIUM SIZED ENTERPRISES

BR-0331, PR-2633, $900,000,000, 2001

The main objective of the Program is to support the development and modernization of micro, small and medium-sized enterprises in Brazil. The borrower and executing agency is the Banco Nacional de Desenvolvimento Econômico e Social (BNDES). The program consists of a rediscount facility for medium- and long-term loans granted by intermediary financial institutions to Brazilian firms to finance investment projects for the reconversion, improvement, and expansion of efficient activities under competitive conditions. All funding under the program would be channeled by the BNDES through already-established second-tier mechanisms that operate through a network of 180 regulated financial agents with more than 15,000 banking branches.

6.13. BRAZILIAN SECURITIES II

BR-1099B, CII-PR-271, $10,000,000, 2001

The project provided Brazilian Securities (BS) access to a facility that allowed the capacity to acquire larger volumes of mortgages for their subsequent securitization. This permitted BS to further expand the market for rated mortgage-backed securities in the Brazilian capital markets as a long-term investment instrument for institutional investors.

6.14. BRAZILIAN MORTGAGES II

BR-1117B, CII-PR-271, $5,000,000, 2001

The program gave Mortgages Companhia Hipotecária S.A. (BM) access to a facility that allowed the company to provide home equity loans to individual homeowners, and to originate mortgage loans. This permitted both companies to further expand the market for rated mortgage-backed securities in the Brazilian capital markets, as a long-term investment instrument for institutional investors.

6.15. MODERNIZATION AND INSTITUTIONAL STRENGTHENING OF THE COMISSÃO DE VALORES MOBILIARIOS

ATN/MT-7887-BR, MIF/AT-475, $2,000,000, 2002

The objective of the program is to deepen the capital market by strengthening and modernizing the regulatory and oversight agency. This program is made up of five components: (i) update the regulatory framework and its integration with other markets; (ii) analyze the competitiveness of Brazil's reference markets (Mercosur, Chile and the main international markets); (iii)

modernize the entire process of registration of issues of bearer securities and the disclosure of significant facts occurring in the market; (iv) endow the Comissao de Valores Mobiliários (CVM), Brazil's securities commission, with the tools necessary to control the behavior of markets under its supervision; and (v) modernize the requirements for access in Brazilian capital markets.

7. Chile

7.1. INVESTMENT SECTOR REFORM PROGRAM
CH-0044, PR-1775, $150,000,000, 1991

This program covered various aspects of the Chilean financial system. Important measures affecting the securities market included: issuing the Reglamento de Concesiones, which is an effort to increase the supply of equity securities; alleviating demand constraints on securities; permitting greater participation in investment in equity shares of the pension funds administration entity; and improving infrastructure of securities markets by enacting a set of guidelines for risk classification of securities issued by utility companies and by other companies operating in newly privatized sectors. A new banking supervision program was required to establish and implement an action plan to support services that would enhance risk assessment of small- and medium-sized enterprises and facilitate access to credit.

7.2. MULTISECTOR GLOBAL FINANCING PROGRAM
CH-0157, PR-2388, $240,000,000, 1999

This loan strengthened the availability of medium- and long-term credit for small- and medium-sized enterprises, increasing productive investment in the private sector and improving export capacity through gains in competitiveness. The resources, which were administered by the Corporación de Fomento de la Producción as a second-tier financial institution, enabled the firms to receive funding for investment and related working capital in such areas as machinery and equipment, construction, exports, and leasing. The loan was designed to increase output and employment. It encouraged the financial system to grant more credit to small- and medium-sized businesses, enabling firms to introduce modern technologies into the productive processes.

7.3. DELTA LEASING HABITACIONAL S.A.
CH-1069A, CII/PR-235, $8,000,000, 2000

This IIC project consists of a 10-year senior loan for up to $7 million and a preferred equity investment for up to $1 million. These funds were used to finance the acquisition of low-cost housing for leasing to individuals. The lease contracts generated were securitized. In addition, the project entailed the development and sale of lease-backed securities, a new instrument in Chile, to institutional investors such as insurance companies and pension funds. Delta Leasing Habitacional/Empresa Constructora Delta was the sponsoring entity.

8. Colombia

8.1. INVESTMENT SECTOR PROGRAM
CO-0035, PR-1799, $205,000,000, 1991

This program supported the efforts of the Government of Colombia to modernize its economy

and expand economic opportunities through the removal of constraints that limit private sector participation. The program required an assessment of the existing pension system and restructuring of alternative proposals as well as a new legislative proposal authorizing the government to reform the pension system. The program also required that pension funds be subject to regulation and supervision by the Superintendent of Banks and Financial Institutions. Even though improving banking supervision was not directly part of the program, it was a condition for the first tranche disbursement. Specifically, the program required increasing the transparency of information systems and strengthening the prudential regulatory system.

8.2. FINANCIAL SECTOR REFORM
CO-0232, PR-2461, $300,000,000, 1999
This loan assisted Colombia with a series of reforms to improve the government's capacity to deal with the most pressing problems in the financial sector and improve its efficiency. The program, executed by the Finance Ministry, strengthened the legal and regulatory framework and the techniques and procedures used to solve the problems of financial institutions; improved the institutional capacity of the agencies responsible for supervision and problem resolution of financial institutions; and made improvements in the status of the first-tier banking sector and of cooperatives supervised by the Banking Superintendency. It also promoted effective measures for promptly addressing the impact of adverse economic conditions on the financial sector. The financing operation was under a new emergency loan program approved by the Board of Governors in 1998 to assist countries whose fiscal balance was affected by international financial volatility.

8.3. CREDIT GUARANTEE FOR COLPATRIA MORTGAGE BOND PROJECT
CO-0260, PR-2715, $5,200,000, 2002
The objective of this project is to demonstrate the mortgage bond instrument to the Colombian capital markets for the first time, thereby supporting the 1999 regulatory framework that established this asset class and fostering the development of a local mortgage-backed bond market in Colombia. The project also seeks to provide Colpatria access to long-term funding for origination of new mortgages within the local housing market in Colombia.

8.4. STRENGTHENING CAPITAL MARKETS
ATN/MT-7793-CO, MIF/AT-457, $1,018,000, 2002
This program will support the executing agency, Bolsa de Valores de Colombia, S.A. (BVC), in three areas. One of those areas is information disclosure and corporate governance, The program will promote the creation of a data base containing financial market and individual firm data for use by investors. In order to carry this out, disclosure standards will need to be improved. Investors´ interests will be protected through the dissemination of corporate governance requirements that meet international standards. The second program area deals with clearance and settlement. The program will promote the establishment of a clearance and settlement corporation to guarantee trades, increasing the security of Colombian capital markets. The third project area is providing support for the design of operating guidelines and the establishment of trading systems needed for a proposed derivatives exchange in Colombia.

9. Costa Rica

9.1. INVESTMENT SECTOR AND MULTISECTOR CREDIT PROGRAMS
CR-0032, PR-1904, $170,000,000, 1993

The reform package financed by the investment sector program ($100 million) included standardizing and strengthening prudential regulations at the legal and regulatory levels (i.e. amending the Securities Market Act to enhance development of the capital market, drafting legislation to liberalize the insurance and reinsurance markets, and drafting legislation to create pension funds with private capitalization to increase the flow of long-term investment). The program also provided an assessment of the equity situation of financial institutions to give monetary and banking authorities a clear picture of the financial and liquidity positions of major public and private financial institutions. It also provided financing to streamline and strengthen the regulatory capacity of the Office of the General Auditor of Financial Institutions. The investment sector program was linked to a multi-sector credit program ($70 million) to provide financing to the private sector.

9.2. COMMODITY EXCHANGE SUPPORT PROGRAM
ATN/MT-5062-CR, MIF/AT-62, $323,000, 1995

The program sought to provide a more efficient alternative marketing channel for basic commodities by assuring the long-term financial viability of Costa Rica's stock exchange. This was achieved through targeted assistance to improve the legal and operational structure of the exchange, the underlying specifications of the traded commodities, and the marketing effort required to capture significantly increased volume of selected products to be traded. This program had six components: (i) legal and regulatory framework; (ii) procedures and internal organization; (iii) product specifications; (iv) storage and delivery system; (v) dissemination of price information; and (vi) exchange promotion. The executing agency was Bolsa de Productos Agropecuarios S.A. (BOLPRO).

9.3. TECHNICAL COOPERATION LOAN FOR DEEPENING STATE REFORM AND OPENING UP THE FINANCE AND INFRASTRUCTURE SECTORS TO PRIVATE ENTERPRISE
CR-0112, PR-2211, $12,650,000, 1997

This IDB technical cooperation loan, along with three other Multilateral Investment Fund (MIF) technical cooperations, was part of a comprehensive program for Costa Rica. This technical cooperation had a $2.35 million subprogram dedicated to the financial system which addressed issues related to bank supervision, the insurance sector, the securities market, and the development of the pension system. For the banking and insurance sectors the objective was to support the development of competitive markets under a sound supervision system. The subprogram included components for the privatization of the remaining state banks and the institutional development of a Superintendency of Insurance. The technical cooperation also had another subprogram devoted to securities market development including actions to strengthening the National Securities Commission by updating prudential and oversight mechanisms and developing new information systems and training. A third subprogram devoted to pension system reform supported a review of the legal framework, the design and implementation of technological systems and the creation of new control systems to reduce evasion.

9.4. SUPPORT FOR OPENING UP THE FINANCIAL SYSTEM TO THE PRIVATE SECTOR ATN/MT-5643-CR, MIF/AT-135, $1,600,000, 1997

This technical cooperation supported the privatization of the Bank of Costa Rica. Additionally, it included features to strengthen the Superintendencia General de Entidades Financieras (SUGEF), the institution in charge of banking supervision. Support for the SUGEF primarily included training and personnel development. In addition, this program supported the opening of the insurance sector to private participation by the privatization of the National Institute of Insurance (the insurance administration institution) and a plan to develop a superintendency of insurance (in charge of insurance supervision). Also included a subprogram to finance the development of prudential rules, personnel training and implementation of a computer system.

9.5. PROGRAM TO STRENGTHEN THE CAPITAL MARKET ATN/MT-5644-CR, MIF/AT-136, $1,600,000, 1997

The main objective of the program was to strengthen Costa Rica's capital market by creating an efficient public debt market that can later serve as a basis for private debt and equity issues. The program was divided into three subprograms. The first was intended to standardize the public debt market by creating standard debt securities that can be easily traded in the primary and secondary market. The second subprogram developed a book-entry system for the clearing and settlement of securities. This subprogram covered an assessment of the current situation, preparation of the regulations that will govern the system, the incorporation of the management company and elaboration of manuals and procedures (the software and the system was developed with part of the IDB technical cooperation CR-0112 and the Central Bank of Costa Rica). The third subprogram was devoted to strengthening the Comisión Nacional de Valores (CNV) addressing organizational issues, prudential regulation (including pension fund regulation), training for the CNV personnel and incorporating the Superintendency of Securities and Pensions into the CNV.

10. Dominican Republic

10.1. FINANCIAL SECTOR REFORM PROGRAM (FSRP) DR-0016, PR-1933, $102,000,000, 1993

This project was part of a comprehensive economic program launched in 1990 covering both stabilization measures and structural reforms, known as the New Economic Policy (NEP). The NEP was aimed at improving fiscal and monetary policies and exchange rate management as well as reforming the tax and trade regimes, and strengthening the financial system. One of the FSRP's objectives was to improve the financial sector's capacity to mobilize and allocate financial resources via a sector structure that promotes the deepening of financial markets, increased competition and economies of scale in operations. The program also ensured the solvency and stability of financial institutions by strengthening the prudential regulatory framework and the supervising capacity of the Superintendency of Banks (SIB), including mechanisms for an effective management of financial crises. The FSRP comprised four main areas: (i) institutional structure of the banking sector aimed at establishing a market structure dominated by banks providing multiple services, (ii) prudential regulatory framework designed to ensure the soundness of financial institutions in a competitive and liberalized environment, (iii) banking supervision

aimed at ensuring prudent management and the financial solvency of banks, and (iv) monetary and credit policy aimed at increasing the effectiveness of monetary management through the use of open market operations as the main monetary policy instrument. The Central Bank of the Dominican Republic (BCRD) was the borrower and executing agency.

10.2. COMMODITY EXCHANGE SUPPORT PROGRAM
ATM/MT-5065-DR, MIF/AT-62, $295,000, 1995

The program sought to provide a more efficient alternative marketing channel for basic commodities by assuring the long-term financial viability of the Dominican Republic's Exchange. This was achieved through targeted assistance to the legal and operational structure of the Exchange, to the underlying specifications of the traded commodities, and to the marketing effort required to capture significantly increased volume of selected products to be traded. The program had six components as follows: (i) legal and regulatory framework; (ii) procedures and internal organization; (iii) product specifications; (iv) storage and delivery system; (v) dissemination of price information, and; (vi) exchange promotion. The executing agency was Junta Agroempresarial Dominicana Inc. (JAD).

10.3. SUPPORT PROGRAM FOR BANK SUPERVISION
ATN/MT-7252-DR, MIF/AT-379, $1,300,000, 2000

The objective of this program was to improve the quality of regulation and supervision of financial intermediaries, with special emphasis on banking institutions, in order to enhance the security and solvency of the Dominican financial system. Specifically, the program sought to improve the focus on banking regulation and supervision by enhancing juridical instruments and methods of inspection; and improve efficiency and supervision through a better management of human resources and modern information systems.

11. Ecuador

11.1. MULTISECTORAL GLOBAL CREDIT PROGRAM
EC-0089, PR-1810, $102,270,000, 1991

This loan provided medium- and long-term credits for the purchase of machinery, equipment, and services to help establish private firms or to help existing firms expand, modernize, or diversify. The resources were funneled through Corporación Financiera Nacional (CFN), the executing agency, after it was reorganized into a second-tier bank. CFN lent the money to intermediate financial institutions, which issued the credit to private enterprises. The intermediate financial institutions included banks, investment companies, and leasing companies meeting certain requirements. In addition to supporting the growth of the private sector and the institutional strengthening of CFN, this loan supported modernization of the financial system. Attendant financial policy changes included the freeing of interest rates, reduction of mandatory investments of intermediate financial institutions, and elimination of the functions performed by the central bank as a provider of credit for productive activities at subsidized interest rates. The parallel technical cooperation also was used to improve CFN's data handling systems, train CFN staff to improve its capacity to mobilize domestic and external resources, and support the privatization of companies that CFN owns.

11.2. FINANCIAL SECTOR REFORM PROGRAM
EC-0043, PR-1995, $110,000,000, 1994

This program involved a loan and a reimbursable technical cooperation funding for a financial sector program. Activities related to capital markets development included: enactment of a new Securities Market Law to remove legal obstacles that have distorted financial and capital markets operations; agreement on guidelines for the oversight of securities market operations by the Superintendency of Companies; reforming the pension system to ensure private sector participation and improving the operation of the Ecuadorian Social Security Institute (IESS); and drafting an insurance law to foster a more competitive and efficient insurance market. Activities related to banking supervision included: restructuring the Superintendency of Banks to create a special commission to simplify laws and regulations, and developing a human resources program and a data processing strategy; establishing prudential regulations through the issuance of procedures and rules for assessing risk assets, provisioning, accruals of interest, capitalization of reserves, capital adequacy, and treatment of related-party and offshore activities; and strengthening prudential supervision procedures through a process of improvements in the area of on-site evaluation, analysis and monitoring of institutions. Additionally, the program addressed the supervision of insurance through the issuance of rules and regulations on operating capacity, solvency margins, diversification and valuation investments, and improving the ability to monitor companies.

11.3. DEBT AND DEBT-SERVICE REDUCTION PROGRAM
EC-0142, PR-2015, $80,000,000, 1994

The objective of the program was to further the economic development of Ecuador by supporting the debt and debt-service reduction program and helping finance the purchase of collateral for purposes of the agreement worked out with the country's commercial bank creditors. Specific goals of the program were to: (i) ease the nation's debt burden; (ii) help Ecuador be perceived abroad as a better risk; and (iii) normalize the country's relations with its foreign creditors and the international capital markets.

11.4. COMPAÑIA DE TITULARIZACIÓN
EC-1027A, CII/PR-208, $5,000,000, 1998

This project created the Compañia de Titularización Hipotecaria (CTH), a second-tier financial institution to develop financial products for the mortgage finance sector and to develop local capital markets in Ecuador. This IIC operation promoted two key sectors of the Ecuadorian economy: capital markets, and the housing and construction industry. CTH is expected to be an efficient intermediator between the capital markets and the housing industry.

11.5. INVESTMENT SECTOR PROGRAM
EC-0194, PR-2500, $150,000,000, 2000

This sector loan supported Ecuador's macroeconomic stabilization program while protecting social expenditures that benefited the most vulnerable groups during the structural reform process. Development objectives included laying the groundwork for an enabling environment that would promote private sector participation in the rehabilitation and expansion of the power and telecommunications sectors; and the resolution of intervened financial institutions in a transparent and effective manner. The program also included measures to improve targeting of key

social programs for the poor, strengthen the safety net, and protect social services from erosion. The program was carried out in close coordination with other lending programs by the World Bank and the Andean Development Corporation and in the framework of a stand-by program of the International Monetary Fund.

11.6. INSTITUTIONAL STRENGTHENING FOR DEBT MANAGEMENT ATN/SF-7067-EC, $150,000, 2000

IDB resources were used by the Economy and Finance Ministry to improve its ability to manage the country's debt. In particular, the program assisted during the process of dollarization of the economy and finance debt analysis and follow-up functions toward the end of the debt renegotiation process. In addition to managing debt operations, this included gathering and analyzing data to ensure an optimum financial inflows and minimize financial risks.

12. El Salvador

12.1. MULTISECTOR GLOBAL CREDIT PROGRAM ES-0086, PR-1743, $60,000,000, 1990

This program financed a multisector global credit program for banking supervision. As a prior condition to the first disbursement of funds, a preliminary charter law for the Superintendency of the Financial System (SSF) had to be submitted to the General Assembly. The law would, among other measures, grant legal, administrative and financial autonomy to the SSF. In addition, the Central Reserve Bank (BCR) submitted legislative proposals dealing with the establishment of a new charter for the BCR and a new banking law or amendment to the Law on Credits and Similar Institutions (LICOA).

12.2. INVESTMENT SECTOR REFORM PROGRAM ES-0016, PR-1893, $90,000,000, 1992

This program supported efforts by the Government of El Salvador to approve a law authorizing the creation of an independent Superintendency of the Financial Sector. It also provided financing to organize and improve the administration of that entity. USAID provided technical assistance for the latter purpose, and in particular, to strengthen the capacity of the division in charge of banks and nonbanking financial intermediaries. Conditions for the disbursement of program funds were the submission and implementation of an action plan to strengthen the Superintendency of the Financial Sector. Activities required included reorganizing the institution, providing training and training manuals, and introducing a specific reform plan. In addition, the program funded activities, such as strengthening the division in charge of insurance companies and pension funds; revising the capital markets law in the areas of insurance of long-term securities, supervision, accounting and auditing procedures, etc.; and drafting an action plan for a financial restructuring of the insurance sector and a new legal and regulatory framework.

12.3. PROGRAM FOR INSTITUTIONAL STRENGTHENING OF THE FINANCIAL SECTOR SUPERINTENDENCY (SSF)
ATN/MT-4471-ES, MIF/AT-5, $1,832,000, 1994

Program resources supported the following activities: the establishment of a legal framework for the financial system; institutional strengthening of the SSF; establishment of a computerized information system; professional training for SSF staff and a dissemination program among institutions. Loan conditions required drafting and submitting to the Congress the following laws: (i) "Ley de Cajas de Crédito"; (ii) "Ley de Cooperativas de Crédito"; (iii) "Ley de Instituciones Auxiliares de Crédito"; (iv) "Ley de Instituciones de Seguros"; (v) "Ley de Fianzas"; and (vi) Pension Fund Law.

12.4. MULTISECTORAL GLOBAL CREDIT-PHASE II
ES-0057, PR-2065, $100,000,000, 1995

This operation supported substantial and ongoing changes in the country's banking and financial systems. The principal goal was to provide the private sector with stable, long-term financial resources to supplement available domestic sources of financing. Subloans in the first phase of the program (approved in 1990) averaged slightly over $200,000. Significantly, since the signing of the peace accords in 1992, a higher percentage of the subloans have been made outside the capital region. The program also strengthened El Salvador's system of financial intermediation and consolidate the Banco Multisectorial de Inversiones (BMI), a public credit institution. Established by legislation in 1994, BMI has its own legal standing and capital and is constrained from financing or underwriting any state institutions or enterprises. Using resources from the loan, the BMI discounted loans to eligible financial institutions, which in turn extended credit to businesses for the acquisition of fixed assets, including working capital, and the hiring of technical and managerial services.

12.5. COMMODITY EXCHANGE SUPPORT PROGRAM
ATN/MT-5063-ES, MIF/AT-62, $686,000, 1995

The program sought to provide a more efficient alternative marketing channel for basic commodities by assuring the long-term financial viability of El Salvador's Exchange. This was achieved through targeted assistance to the legal and operational structure of the Exchange, to the underlying specifications of the traded commodities, and to the marketing effort required to capture a significantly increased volume of selected products to be traded. The program had six components as follows: (i) legal and regulatory framework; (ii) procedures and internal organization; (iii) product specifications; (iv) storage and delivery system; (v) dissemination of price information, and; (vi) trade promotion. Bolsa de Productos Agropecuarios de El Salvador (BOLPROES) was the executing agency.

12.6. STRENGTHEN FINANCIAL SECTOR SUPERVISION
ES0115, PR-2384, $3,802,000, 1999

The objective of this loan was to strengthen the technical capacity of El Salvador's supervisory agencies for the financial sector. Resources were used to develop a short- and medium-term

technology strategy and investment plan for the three superintendencies and to carry out the investment plan for the modernization of technological resources. Complementary, a grant from the Multilateral Investment Fund (MIF) financed the introduction of international accounting principles in the financial sector, the establishment of the Deposit Insurance Institution, and the strengthening of the Financial System Superintendency, the Securities Exchange Superintendency, and the Pension Superintendency. MIF resources also were used to finance the implementation of a planning and monitoring system, human resources management, strengthening the management of the technological platform, and a training program for judges and arbitrators.

12.7. SUPPORT PROGRAM FOR THE FINANCIAL SECTOR
ATN/MT-6400-ES, MIF/AT-237, $2,962,000, 1999

This program contributed to the stability and solvency of El Salvador's financial system by strengthening the financial sector supervisory agencies and complemented the loan described above. It improved the individual capacity of the participating agencies, while at the same time encouraging and facilitating coordination, cooperation, and the smooth flow of information between them. The participating agencies were the Financial System Superintendency, the Deposit Insurance Institution, the Securities Exchange Superintendency, the Pension Superintendency, and the National Council of Judges through the School for Judicial Training. MIF resources funded control systems to enable the superintendencies to manage their resources efficiently. The program also supported the establishment of the Deposit Insurance Institution; institutional strengthening of the Central Reserve Bank of El Salvador, including the development of regulations, organizational structures, procedures and manuals; strengthening of the Financial System Superintendency, including bank supervision, supervision of nonbank intermediaries, supervision of insurance companies, and strengthening of the Securities Exchange Superintendency, particularly with respect to accounting standards for issuers, regulation and supervision of investment funds, regulation of the securities market, and book-entry system operation and clearing houses.

12.8. SUPPORT PROGRAM FOR THE INSTITUTO SALVADOREÑO DEL SEGURO SOCIAL
ES-0134, PR-2504, $5,800,000, 2000

The aim of this program was to support the process of institutional change at the Instituto Salvadoreño del Seguro Social (ISSS) so that it could assume gradually its basic function of providing health insurance. The specific objectives of the program were: (i) assist the ISSS with the design, testing, and evaluation of the mechanisms of institutional change that are needed to spur reform in its sector; (ii) lay the groundwork for building a consensus among the leading players on the institutional changes needed at the ISSS; and (iii) strengthen the ISSS's strategic capacity to promote organizational learning and produce and disseminate information in support of its institutional transformation.

12.9. HOUSING PROGRAM
ES-0087, PR-2637, $70,000,000, 2001

The objective of this program is to support the government of El Salvador in developing and introducing a set of sustainable housing policy instruments. The program has been divided into two phases to accommodate the complex reforms that are needed to ensure the sustainability of the Fondo Social para la Vivienda (FSV), El Salvador's first-tier financial institution that serves

the middle-income population with mortgage lending for home buying. The FSV modernization plan is implemented during the program's first phase, thus consolidating the processes and systems that are required to enhance financial management. The housing program consists of three sub-programs. The first subprogram entails the following components: (i) strengthening the mortgage market; and (ii) institutional and financial strengthening of the Fondo Social para la Vivienda. The second subprogram is made up of: (i) subsidies for upgrading marginal neighborhoods; (ii) reconstruction subsidies; (iii) land legalization; (iv) progressive development of subdivision market; and (v) modernization of the Vice Ministry of Housing and Urban Development. The third sub-program is a housing program for the Municipality of San Salvador. In the program's second phase financing is provided for direct subsidies to the FSV´s target population. The subsidized interest rate system will be replaced with one based on direct efficient, targeted and sustainable subsidies.

12.10. GLOBAL MULTISECTORAL CREDIT PROGRAM
ES-0130, PR-2657, $42,400,000, 2002

The overall objective of the operation is to support the development of the private sector, especially small- and medium-sized enterprises, by increasing the supply of medium- and long-term financing. The program will provide funds to the Multisector Investment Bank (BMI) to finance lending to private enterprises by eligible intermediary financial institutions (credit component) and to provide technical assistance. The resources for the credit component will be used only for BMI operations. The subloans will be extended to startups and existing private firms in all economic sectors in both urban and rural areas. The resources for the technical assistance component will be used to finance three subcomponents, the purpose of which is to: (i) expand the BMI's capacity; (ii) strengthen the intermediary financial institutions in risk analysis; and (iii) promote an increase in financing for rural projects.

12.11. STRENGTHENING OF FINANCIAL AND FAMILY-REMITTANCE SERVICES FOR LOW-INCOME GROUPS
ATN/ME-7886-ES, MIF/AT-473, $1,500,000, 2002

The project's objective is to improve access to financial services suited to the needs of low-income groups, especially those in the country's rural areas. The project's specific objective is to strengthen the financial and administrative capacity of credit unions affiliated to the Federation of Credit Unions of El Salvador (FEDECACES) so that they are better able to serve this segment of the population. The project will have four components: (i) strengthening of family remittance services; (ii) adaptation to conform to the rules governing nonbanking institutions; (iii) modernization of procedures and systems; and iv) a training plan. The project's direct beneficiaries are FEDECACES, which is also the executing agency, and its affiliated credit unions. The current and potential members and customers of FEDECACES' affiliated credit unions are also important indirect beneficiaries.

13. Guatemala

13.1. FINANCIAL SECTOR REFORM PROGRAM
GU-0018, PR-1948, $132,000,000, 1993

The program's main objective was to diversify the provision of banking products and services, in accordance with modern financial practices, and under appropriate prudential regulations and

effective bank supervision. The government of Guatemala had to prepare draft legislation to establish minimum capital requirements. This law had to be approved and further implemented during program execution (conditions for disbursement). Other laws, resolutions and agreements that were to be approved and put into effect during program execution included the following issues: depositor protection against insolvent institutions; asset classification and capital provisioning for risks; equal treatment to borrowers; trust operations and operations to third party obligations; and stricter criteria to loan renewals and extensions. The government put into effect resolutions establishing the minimum financial information that banks should disclose to the public, adequate accounting systems and operational autonomy of the Superintendency of Banks. Also included in the program were measures to establish a regulatory framework for capital markets based on an autonomous regulatory agency; modify tax legislation to promote equity and commodities market; and permit diversification of the investment portfolio of insurance companies and the Guatemalan Social Security Institute (IGSS).

13.2. TECHNICAL COOPERATION TO SUPPORT THE DEVELOPMENT OF A SECURITIES REGISTRY FOR GUATEMALA'S CAPITAL MARKETS ATN/MT-5783-GU, MIF/AT-151, $930,000, 1997

The primary objective of this technical cooperation was to strengthen the capital markets of Guatemala by increasing transparency and efficiency as well as promoting investor education. The program assisted the Government of Guatemala in developing the Securities Registry, an important first step in establishing oversight of the heretofore unregulated over-the-counter-market market (OTC), which accounted for more than 80 percent of all secondary trading in Guatemala. The program had four components: (i) strengthening the legal and regulatory framework, including developing norms for prospectuses, issuer obligations, accounting and financial statements, and capital adequacy requirements for intermediaries, operating both on- and off-exchange; (ii) establishment of the Registry, including establishing policies and procedures, staffing requirements, systems for monitoring, oversight and enforcement, and investor information standards; (iii) implementation of a training program for Registry staff, based on international standards and best practices; and (iv) an investor education campaign. The program was expected to provide the basis for future expansion of the Registry's functions.

13.3. FINANCIAL SECTOR REFORM PROGRAM II GU-0119, PR-2638, $200,000,000, 2002

The objective of the operation is to modernize the legal framework that applies to the financial sector and to strengthen the regulatory and supervisory entities of the system, in particular the Central Bank and the Superintendency of Banks. The program consists of a series of legal reforms, the issuance of regulations that are required by the legal reforms, and the implementation of action plans to enable the authorities to execute the reforms. The borrower and executor of the program will be the government of Guatemala with the participation of the Ministry of Public Finance, the Central Bank, and the Superintendency of Banks.

13.4. PROJECT TO STRENGTHEN BANK SUPERVISION ATN/MT-7827-GU, MIF/AT-460, $1,000,000, 2002

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 Superintendency of Banks to supervise all of the entities in a financial system on a consolidated basis.

14. Guyana

14.1. FINANCIAL SECTOR ADJUSTMENT PROGRAM GY-0032, PR-2056, $38,000,000, 1995

This program included specific actions in banking legislation. The legislative reforms consisted of a Financial Institutions Act (FIA), a new Bank of Guyana Act, and selected amendments to the Co-operative Financial Institutions (COFA) Act, the Dealers in Foreign Currency (Licensing) Act and the Companies Act. The new Bank of Guyana Act was designed to create an independent central bank, conferring powers to exercise a considerable degree of independence in its central banking and bank supervisory functions. Approval and regulation of this Act were included as conditions for the first and second program tranche respectively. Also, this program included privatization of several banks, the merger of two government banks, and the institutional strengthening of GNCB and Deeds Registry.

14.2. STRENGTHENING SYSTEM OF PROPERTY RIGHTS ATN/MT-6671-GY, MIF/AT-289, $940,000, 1999

This objective of this MIF technical cooperation was to improve the legal framework and administrative procedures for secured transactions in real estate and other property, and to enhance the physical security of records. The components were improving the legal framework; strengthening the Deeds Registry; and project management. The first component funded reviewing of the legal framework for secured transactions in movable and immovable property and develops an action plan for reform (laws to be analyzed included the Deeds Registry Act, Bills of Sale Act, laws of evidence). The second component supported activities to strengthen and improve the services provided by the Deeds Registry offices in Georgetown and New Amsterdam. The third component provided for an initial, baseline, survey of Deeds Registry users, followed by an end-of-project survey to evaluate progress on both a quantitative and qualitative basis.

14.3. STRENGTHEN BANK SUPERVISION ATN/SF-7597-GY, $700,000, 2001

This project has four components. The first component involves private and public sector training and coordination. The Bank of Guyana in cooperation with the private sector will hold several seminars on a range of topics to enhance skills in the marketplace. The second component involves the formulation and development of strategies and improvement to the supervisory processes. The Bank, in coordination with the IMF, will provide assistance to strengthen the Bank of Guyana's on- and off-site supervisory procedures. The third component involves regulatory reporting and information technology and will focus on improving the verification, analysis and reporting of financial information. The fourth component will provide support to prevent money

laundering and strengthen the Bank of Guyana's Legal Department. Technical assistance will include training in-house legal staff on supervisory and regulatory issues, highlighting the effective implementation of enforcement measures (legal sanctions).

15. Haiti

15.1. BANKABLE PROPERTY RIGHTS REFORM PROGRAM
ATN/MT-5078-HA, MIF/AT-67, $650,000, 1995

The objective of the program was to assist the Government of Haiti in establishing a legal and institutional framework for bankable property rights and lien registration that allows for the efficient creation, perfection and enforcement of collateral liens. Activities financed under the program included drafting a comprehensive bankable property rights law; designing an efficient system and institutional framework for the registration of liens; and, training the banking and legal communities as well as the judicial authorities in the use of the new system. This operation was required to provide a more transparent and reliable legal system and to strengthen banking supervision.

15.2. INVESTMENT SECTOR LOAN
HA-0046, PR-2173, $52,495,000, 1996

This program provided support for the modernization of the legal and regulatory framework of the financial system, institutional framework for secured transactions (not a financial sector component), and the reform of the electricity sector. The component supporting the financial sector was mostly dedicated to legal and regulatory framework reform. In addition, the program brought the Banque National de Credit into conformity with all prudential norms and regulatory measures required to establish the soundness of the bank.

16. Honduras

16.1. MULTISECTOR GLOBAL CREDIT PROGRAM
HO-0034, PR-1888, $60,000,000, 1992

One of the main objectives of this program was to promote the development of the financial and capital markets of Honduras. Program resources were allocated to financial intermediaries by means of an auction mechanism, to meet the private sector's need for medium- and long-term credit for financing investment projects in the production sector. Important reform measures were undertaken during project preparation and throughout the project as disbursement conditions. As part of program preparation, the Bank assisted the Central Bank of Honduras in carrying out several reforms of basic prudential regulations. Reforms included reviewing standards for evaluation of commercial loans and defining operation and control methodologies; reviewing accounting regulations (risky interests, overdue portfolio, control procedures); establishing regulations on credit to related parties and procedures for control; establishing the regulations for the publication of interest rates and financial statements; establishing valuation of guarantees regulations; and creating a work schedule for the preparation of a statistical bulletin of the Superintendency of Banking and Insurance (SBS). During the second stage, several activities were included as a condition for disbursing the second half of the program's resources. Those conditions were effectively implementing

the regulations mentioned above; strengthening the mechanisms that control credit limits; preparing methodologies for the analysis and evaluation of financial institutions; and introducing rules and procedures for assessing personal loans, housing loans and financial investments, among others.

16.2. PROGRAM TO STRENGTHEN THE BANKING AND INSURANCE COMMISSION ATN/MT-5235-HO, MIF/AT-82, $1,530,000, 1996

The objective of this program was to strengthen financial system supervision. The MIF operation included four subprograms: support for reforms of the regulatory framework governing the financial system, the insurance market, and the capital market; support for the Banking and Insurance Commission in establishing its organizational structure and operating procedures and manuals; support for strengthening information systems; and support for a professional development program.

16.3. PROGRAM TO STRENGTHEN THE FINANCIAL SECTOR ATN/MT-7240-HO, MIF/AT-375, $1,457,000, 2000

This program has the two components: (i) strengthening the training system of the Honduran Association of Banking Institutions and the Honduran Chamber of Insurance Companies to improve the system's human resources, and (ii) strengthening the regulatory and prudential framework governing the financial system. The latter component includes extending supervision to the nonbanking financial institutions in the system; expanding the National Banking and Insurance Commission's (CNBS) risk center; creating a comprehensive system of activities to protect financial sector institutions; and integrating the Central Bank of Honduras (BCH) and CNBS information systems with those of the institutions in the financial system.

16.4. SUPPORT STRENGTHENING NATIONAL ACCOUNTS ATN/SF-7320-HO, $750,000, 2001

The main objective of the program is to support the Central Bank of Honduras in improving economic statistics through new methodology, and the adequate collection and processing of data to allow for a better evaluation of alternative economic policies and track trends in poverty, inflation and economic growth. The program's three objectives are to support the modernization and expansion of short-term calculation system and economic indicators; improve interinstitutional coordination to enhance the collection, processing and exchange of information; and provide support for analyzing the country's basic statistical needs and designing a system for collecting and reporting data. The program has five components: (i) creation of an input-output table for the nation's economy; (ii) development of institutional accounts and economic integrated accounts; (iii) change in the base year and linking of statistical series; (iv) development of a basic plan of Component Matrix Production, and; (v) the development of a basic plan for the creation of satellite accounts.

16.5. FINANCIAL MANAGEMENT OF NATURAL DISASTERS ATN/SF-8025-HO, $150,000, 2002

This technical cooperation (TC) will assist the government in evaluating the available information related to the natural disaster risks that the country faces and likely macroeconomic and fiscal impacts of disaster to develop a financial management strategy to reduce the global cost of risk.

Specifically, the TC will finance: (i) a political economy working group for the financial risk management of catastrophes; and (ii) preparation of the "Financial Risk Management Strategy of Catastrophes in Honduras."

17. Jamaica

17.1. ADJUSTMENT PROGRAM FOR TRADE, FINANCE AND INVESTMENT SECTOR
JA-0019, PR-1790, $76,092,000, 1991

This program, which included a loan and a technical cooperation, provided support to the Bank of Jamaica (BOJ) for the establishment of a supervision department to enhance supervisory activities. This included recruitment and training, development of a manual on regulatory strategies and prudential requirements, establishing definitions of the data to be provided to the BOJ, and preparing a manual to be used to analyze parent companies and assess risks. First tranche conditions called for agreement on the terms of reference for a Bank financed technical assistance program for strengthening the prudential regulation and supervisory capacity of the Superintendency of Banks. First tranche activities had to be substantially under way before the second trance was approved. By the third tranche, any recommendations stemming from the first two phases had to be implemented. Program implementation also called for drafting a securities act that was to be put into effect along with the Securities and Exchange Commission's regulatory norms.

17.2. INSTITUTIONAL SUPPORT OF FINSAC
ATN/MT-5735-JA, MIF/AT-141, $1,445,000, 1997

The main objective of the program was to develop a stronger financial infrastructure by helping the Financial Sector Adjustment Company (FINSAC) to manage its investments in the insurance sector, and by strengthening insurance supervision. This program provided assistance to the FINSAC to strengthen insurance supervision and establish a department charged with disposing of loans and real estate assets acquired through interventions in an orderly fashion and at reasonable prices. Other activities included designing financial statements and periodic reporting forms, and the development of investment guidelines for the insurance companies

17.3. FINANCIAL SECTOR REFORM
JA0049, PR-2509, $150,000,000, 2000

This loan helped strengthen the financial sector and reduce its vulnerability to future crises. The resources supported steps to improve supervision of the financial system, enhance the enforcement and adjudication capacity of government authorities and improve their coordination. The loan assisted in the disposition of assets accumulated by the Financial Sector Adjustment Company, the government agency charged with resolving the situation of financial institutions that were intervened as a result of a financial crisis during 1996-1997.

17.4. SUPPORT FOR STRENGTHENING THE SUPERVISION OF NON-DEPOSIT TAKING ACTIVITY WITHIN THE FINANCIAL SERVICES COMMISSION
ATN/SF-7700-JA, $700,000, 2001

This project has six components. The first component is concerned with insurance guarantee and investor protection funds. The objective is to examine the structure of these funds (com-

pensation schemes) in order to recommend policies to address compensation schemes in general for the nonbank financial sector. The second component address issues dealing with legal and regulatory enforcement. It provides technical assistance to the current legal staff of the Financial Services Commission, the General Counsel, and the Chief Executive Officer on a range of legal issues. The third component deals with prospectus and disclosure requirements by providing assistance to establish standards for prospectus and on-going disclosure requirements, and develop regulations and procedures to define the process of registration. The fourth component provides support for training executive management and senior staff in emerging financial supervision issues, particularly how to supervise offshore activity and on-line/electronic banking. The fifth component provides support for developing and establishing minimum actuarial standards as well as training in the implementation of these standards. The last component addresses the issue of corporate governance requirements.

17.5. SUPPORTING THE IMPROVEMENT OF THE ACCOUNTING PROFESSION ATN/MT-8113-JA, MIF/AT-512, $665,000, 2002

The overall objective of the program is to strengthen the accounting profession in Jamaica, improve the annual financial statements of Jamaican businesses by providing transparency, reliability and comparability among financial statements, qualities that will facilitate and promote business investment. The program components include: (i) conducting an independent assessment of accounting and auditing in accordance with the Reports on the Observance of Standards and Codes (ROSC) program and developing an action plan; (ii) assisting in the implementation and application of International Accounting Standards (IAS); (iii) building adequate mechanisms for the enforcement of IAS and International Standards on Auditing (ISA); and (iv) establishing systems and processes that sustain the implementation of IAS and ISA.

18. Mexico

18.1. GLOBAL CREDIT PROGRAM FOR MEDIUM AND SMALL BUSINESS ME-0152, PR-1856, $250,000,000, 1992

The program consisted of the following three components: (i) credit for funding investments in fixed assets, working capital, studies and advisory assistance for medium and small private business establishments; (ii) credit for the development of a special private infrastructure of financial intermediation, information, training, and technical assistance to provide integrated support for medium and small business establishments; and (iii) institutional strengthening of Nacional Financiera S.N.C. (NAFIN) to provide for the creation of nine NAFIN centers and two pilot business development centers.

18.2. CORPORATE STRENGTHENING OF FINANCIAL INSTITUTIONS PROGRAM ME-0126, PR-2097, $250,000,000, 1995

The main objective of this program was to contribute to Mexico's economic recovery by helping to strengthen the financial sector. Its specific objectives were to promote modernization of private financial intermediaries, assist in the corporate strengthening of Nacional Financiera S.N.C. (NAFIN), and stimulate business investment. The program had three components: (i) a loan for modernizing private financial intermediaries, which will be used by participating intermediaries

to upgrade their operating and management capacity; (ii) technical assistance for the corporate strengthening of NAFIN, including a thorough analysis of the institution, as well as identification and implementation of specific reforms in the areas of strategy development, redesign of procedures, risk management, and organizational and human resources; and (iii) a multisector loan to finance investments by private companies.

18.3. FINANCIAL SECTOR RESTRUCTURING PROGRAM
ME-0188, PR-2041, $750,000,000, 1995

The objectives of the program were the short-term stabilization of troubled financial institutions and restoring confidence in the safety and soundness of the Mexican financial sector by undertaking substantial policy reforms that would provide Mexico with a solid and transparent legal and regulatory framework for the financial sector in the medium term. In particular, the program was designed to: improve the safety and soundness of financial institutions through the modernization of prudential regulations and strengthened supervision based upon accepted international practices, and increase the transparency and accuracy of financial statements. Conditions for disbursement included several actions in the areas of bank inspections, prudential regulations and uniform accounting principles. Other financial sector restructuring activities within this program included measures to recapitalize and improve the financial system. An activity of particular interest was to create the national commission for banking and securities, and issuing guidelines for external audits of banks and stock exchanges.

18.4. CONTRACTUAL SAVINGS DEVELOPMENT PROGRAM
ME-0197, PR-2153, $300,000,000, 1996

The core of this program provided support for the pension system reform and was primarily oriented to strengthening pension system institutions. In addition, it also provided support for reforming capital and insurance markets. The program supported the shift toward the private management of pension funds from the existing pay-as-you-go system and required the establishment of the necessary regulations for pension fund investment and administration. Additionally, the program had a component to strengthen the pension fund administration supervisory agency.

18.5. SUPPORT TO THE COMISIÓN NACIONAL BANCARIA Y DE VALORES DE MÉXICO (CNBV)
ME-0059, PR-2252, $8,000,000, 1997

The purpose of the program was to strengthen the CNBV's operating capacity. Its specific objectives included consolidating the progress made in banking supervision; setting the supervisory standards for all the financial intermediaries; monitoring the supervisory needs of the securities market; developing a human resource management system; and developing an effective information technology support. The plan used a flexible approach based on the definition and execution of semi-annual operating plans for the first year and annual plans for the subsequent years. The activities financed were aimed at modernizing the supervisory processes, methodologies and practices; and consolidating the operating platform that supports supervisory work.

18.6. CAPITAL MARKET DEVELOPMENT
ATN/MT-6085-ME, MIF/AT-187, $1,500,000, 1998

This technical cooperation supported the establishment and operation of a Mexican securities clearinghouse, which initially provides clearance and settlement services for securities transactions in the Bolsa Mexicana and eventually for over-the-counter (OTC) markets. The program consisted of technical assistance in eight activities. First, the program focused on drafting the regulatory framework required for securities clearing house operations in addition to reviewing and strengthening existing legislation. The second component included the development of a financial plan and fee structure for the clearinghouse (Cámara Mexicana de Compensación y Liquidación, CMCL). Third, the project supported the development of internal auditing standards and procedures that meet international standards. A fourth activity included developing a financial safeguard system and risk management operating regulations. Under this system, members were required to provide an initial capital contribution to CMCL and place callable capital contributions in reserve. Risk management procedures included measures to determine CMCL's exposure to clearing members, to prevent accumulated losses, and to administer collateral. The fifth component focused on developing CMCL's bylaws, corporate governance and general rules of operation. A sixth subprogram trained staff responsible for risk management at both CMCL and Comisión Nacional Bancaria y de Valores (CNBV).

18.7. MULTISECTORAL GLOBAL CREDIT PROGRAM
ME-0117, PR-2491, $300,000,000, 2000

The objective of the program is to assist the development of micro, small and medium enterprises (MSME) by expanding the supply of formal credit services for this sector. The program makes resources available to NAFIN to fund loans that financial intermediaries make to MSMEs. It also provides resources for developing specialized lending technologies tailored to meet the sector's needs efficiently.

18.8. SUPPORT CONSOLIDATION OF BANKING SECTOR REFORM PROGRAM
ME-0227, PR-2490, $250,000,000, 2000

Project resources supported a government program designed to strengthen the legal and regulatory framework of the banking system, complete the restructuring program for the banking sector and ensure the transfer of the ownership of banks that had previously experienced difficulties back to the private sector in a transparent and timely manner. It also supported efforts to maximize the recovery of bank loans and other assets resulting from bank resolution programs and portfolio purchases and to implement viable arrangements for financing the costs resulting from banking sector stabilization.

18.9. SUPPORT FOR SMALL FARMERS THROUGH PROCAMPO
ME-0213, PR-2590, $500,000,000, 2001

The project's objective is to build the capacity of small-scale dryland farmers to make more efficient use of their resources in their productive operations. This operation provides financing to deliver Farmers Direct Support Program (PROCAMPO) payments before the spring and summer planting seasons as well as technical assistance to strengthen PROCAMPO management, assess its environmental impacts, analyze alternative operational approaches, and identify the uses to which beneficiaries put the payments they receive.

18.10. CAPITALIZATION OF REMITTANCES FOR LOCAL ECONOMIC DEVELOPMENT
ATN/ME-7717-ME, MIF/AT-450, $1,115,000, 2001

This project promotes local competitiveness in an effort to increased revenue and employment in regions that experience high migration. It intends to establish or strengthen pilot mechanisms in Guanajuato, Zacatecas and Puebla to channel remittances to productive entrepreneurial projects with the participation of local governments, local private investors and clubs of Mexican migrants abroad. The project has four components: (i) development of public-private collaboration; (ii) strategic plan for the local private sector; (iii) development of productive investment projects; and (iv) outreach workshops.

18.11. PILOT PROGRAM FOR THE INVESTMENT OF REMITTANCES FOR RURAL DEVELOPMENT IN MIGRANT´S HOME ECONOMIES
ATN/ME-7834-ME, MIF/AT-465, $460,000, 2002

The program will help increase revenues and job opportunities in the rural communities affected by high migration, by promoting and supporting the business activities of groups of producers established primarily by women in the states of Michoacán, Oaxaca, and Guerrero. The specific objective is to establish a model for the productive use of remittances through interaction between producers in the communities of origin and migrating entrepreneurs, by improving the business skills of groups of producers needed to turnout and market agricultural and micro industrial products, providing access to markets and information, and facilitating access to financing leveraged by the capital contributed by the migrants abroad.

19. Nicaragua

19.1. TRADE AND FINANCE ADJUSTMENT PROGRAM
NI-0012, PR-1798, $132,500,000, 1991

This program included two loans and a technical cooperation to establish a strong and autonomous Superintendency of Banks empowered with an adequate institutional capacity to enforce regulations. The program was carried out in several stages with the following conditions established to release funds: submit an action plan to develop and implement a new Law of Banking and Financial Institutions and ancillary laws and regulations; adopt the operating regulations to implement the Superintendency Law and appoint a Superintendent; submit to the National Assembly a draft law of Banking and Financial Institutions and related ancillary laws and regulations; and demonstrate progress in carrying out the new organizational structure for the Superintendency of Banks.

19.2. DEBT REDUCTION PROGRAM
NI-0082, PR-2048, $40,000,000, 1995

The objective of this program was to support debt reduction operations that would stabilize the economy and lay the groundwork for future sustainable growth. The program was part of a concerted effort by the Bank, the World Bank and bilateral donors to help Nicaragua buy back a significant portion of its external debt to commercial banks. The operation also facilitated the execution of the stabilization, adjustment and structural reform programs that the government was carrying out.

19.3. TECHNICAL COOPERATION LOAN FOR THE STRENGTHENING OF THE CENTRAL BANK OF NICARAGUA NI-0087, PR-2085, $3,450,000, 1995

This technical cooperation was devoted to strengthening the role and functions of the central bank in matters related to monetary policy. Areas requiring improvement included economic programming, international operations and financial management. The focus of this operation was central bank strengthening and included the establishment of electronic communication between the central bank and the banking sector.

19.4. COMMODITY EXCHANGE SUPPORT PROGRAM ATN/MT-5064-NI, MIF/AT-62, $375,000, 1995

The program sought to provide a more efficient alternative marketing channel for basic commodities by assuring the long-term financial viability of Nicaragua's Exchange. This was achieved through targeted assistance affecting the legal and operational structure of the Exchange, the underlying specifications of the traded commodities, and the marketing effort required to significantly increased the volume of tradeable products. The program had six components as follows: (i) legal and regulatory framework; (ii) procedures and internal organization; (iii) product specifications; (iv) storage and delivery system; (v) dissemination of price information, and; (vi) trade promotion.

19.5. FINANCIAL SECTOR REFORM PROGRAM III NI-0104, PR-2317, $65,000,000, 1998

The objective of the reform program is to rationalize Nicaragua's state-owned banks and create a stable and efficient private banking sector. In particular, the operation addresses reforms concerned with liquidation or privatization of the state banks; modernization of the financial system's legal and regulatory structure; and modernization of the institutional and normative framework for prudential regulation and supervision. Disbursement of funds for the component concerned with rationalization of the state-owned banks requires meeting various conditions, among them divestiture of a controlling share of (51% minimum) Banco Nicaragüense de Industria y Comercio (BANIC). The component for modernization of the legal and regulatory structure is intended to improve the autonomy of regulatory institutions as well as the institutional structure of the sector, regulation and supervision, and the delivery of more modern financial products.

19.6. FINANCIAL SECTOR REFORM NI-0106, PR-2317, $765,000, 1998

This technical cooperation loan program is a parallel operation to NI-0104, outlined above. The TC provides technical support to the implementation of the legal and regulatory reforms. The program includes subcomponents for support to the Legal Commission in drafting the legal documents, and support to the Superintendency of Banks and other Financial Institutions (SBIF) in the areas of information systems and off-site inspection analysis. A bank performance reporting system will be adapted to provide the information required to enforce the legal and normative framework. Off-sight analysis techniques and information dissemination policies will be upgraded to provide more rigorous performance indicators to the public. In addition, the SBIF will focus on development of a credit bureau.

19.7. CAPITAL MARKETS MODERNIZATION PROGRAM
ATN/MT-6157-NI, MIF/AT-199, $998,000, 1998

This technical cooperation program had five objectives. The first component involved the preparation of a specific capital markets law in order to rationalize all current legislation on this topic and to conform to international standards. The new law established the foundation for all of the other components of the program. The second component involved the reorganization of the Superintendency of Banks and other Financial Institutions (SBIF) to create two distinct and separate divisions, which are responsible for regulating prospectuses, disclosure processes and secondary trading (the Intendencia de Valores); for prudential supervision of broker dealers, especially the minimum net capital standards for allowing clearing privileges (the Intendencia de Bancos y Otras Instituciones Financieras). The third objective concerned upgrading the clearance and settlement system for public and private debt markets. Fourth, the program was intended to standardize public debt instruments, in particular, converting the existing Bonos de Pago de Indemnización (BPI) into a physical certificate with standard characteristics, such as maturity dates, denomination, and face values. Finally, the program included a publicity campaign in order to inform the public of the structural changes to the capital markets.

19.8. LEGAL FRAMEWORK OF NEW PENSION SYSTEM
ATN/MT-6573-NI, MIF/AT-260, $1,200,000, 1999

This Multilateral Investment Fund technical cooperation had two parts: establishment of a legal and regulatory framework for reform of the pension system and implementation of the reform. Part A components included draft laws and regulation for the new pension system, as well as the establishment of prudential investment rules for pensions funds, and training for legislators to increase their awareness of reform alternatives and problems in the current pension system. Part B components included support for the formulation and execution of a strategy to implement reform; establish a pension superintendency .

19.9. SUPPORT OF THE PENSION SYSTEM REFORM
NI-0101, PR-2614, $30,000,000, 2001

This operation is designed to support the structural reform of the pension sector and provide financing within the context of the government's Poverty Reduction and Growth Facility agreement with the International Monetary Fund. The program entails a set of measures and actions that will facilitate the development of an adequate legal, regulatory and institutional framework for the establishment of private service providers. Five principal areas of reform are proposed: (i) establishment of the legal framework for the new system; (ii) reform of the current defined benefit pay-as-you-go pension system; (iii) establishment of the institutional arrangements for supervision and service provision; (iv) establishment of a financing plan for transition costs; and (v) initiation of implementation process.

19.10. SUPPORT FOR THE SUPERINTENDENCY OF BANKS AND OTHER FINANCIAL INSTITUTIONS
ATN/MT-7975-NI, MIF/AT-481, $1,238,000, 2002

The general objective is to reduce the vulnerability of Nicaragua's financial system. The specific objective is to consolidate and strengthen the Superintendency of Banks and Financial

Institutions (SBIF) in its capacity to regulate, supervise, inspect bank and nonbank intermediaries and their operations, and ensure they are technically and administratively efficient. The project is divided in the following five components: (i) updating the framework for regulation and supervision of the financial banking sector; (ii) updating and developing a framework for regulation and supervision of nonbank financial institutions; (iii) transforming the technology platform and developing systems audit capacity; (iv) consolidating and expanding personnel technical capacity; and (v) strengthening the organizational and administrative structures of the SBIF.

20. Panama

20.1. EXTERNAL DEBT AND DEBT-SERVICE REDUCTION PROGRAM
PN-0098, PR-2094, $30,000,000, 1995

This program was an integral part of the country's economic adjustment program. The objectives of the loan were to: (i) reduce the external debt's burden on the balance of payments; (ii) lower Panama's risk premium on international capital markets; and (iii) fully regularize Panama's relations with its foreign creditors. These three objectives were accomplished by cofinancing the purchase of collateral instruments under a debt restructuring agreement with the international commercial banks, following a system similar to the Brady Plan launched by the United States. The program consisted of the purchase of U. S. Treasury zero coupon bonds that constituted the collateral under the agreement to restructure the external commercial debt.

20.2. FINANCIAL SECTOR REFORM PROGRAM
PN-0056, PR-2256, $130,130,000, 1997

This program supported the reform of Panama's financial sector, which was designed to ensure a sound banking system; foster competitiveness; make financial transactions more secure, transparent, and diversified; and promote the development of capital markets. This operation consisted of a loan and a technical cooperation. The loan program focused on strengthening financial regulation and the social security system and included components for the banking system, the securities market, and financial supervision. The technical cooperation provided resources for measures to make administration more transparent, modernize fund management, liberalize the investment regime, and implement proper auditing and controls and improved debt management, creation of a market for debt securities, and restructuring the legal framework for public financial administration.

20.3. PROJECT TO STRENGTHEN THE SECURITIES COMMISSION
ATN/MT-5785-PN, MIF/AT-154, $1,200,000, 1997

This technical cooperation was designed to complement the capital markets component of operation PN-0056 and strengthen the National Securities Commission, established by the Securities Market Act. Specific activities to strengthen securities market regulation and oversight included development and implementation of the new organizational structure; training and management of human resources; implementation a professional development program; design of an information systems management program; development of new regulations; production of a prospectus register; standardized reporting forms and procedures; creation of mechanisms for oversight of brokers and dealers; and creation of mechanisms to ensure supervision of investments funds.

20.4. COMMODITY EXCHANGE SUPPORT PROGRAM: BOLSA AGROPECUARIA E INDUSTRIAL, S.A. PROJECT (BAISA) ATN/MT-6665-PN, MIF/AT-290, $482,000, 1999

The project consisted of the following components: (i) selection of strategic commodities to be traded in BAISA; (ii) design and execution of a marketing campaign to capture a viable volume of trading; (iii) training for parties involved in commodities trading; (iv) spot technical assistance in the legal, economic, and taxation areas to foster opening of the market; and (v) procurement of computer systems and hardware for price dissemination.

21. Paraguay

21.1. INDUSTRIAL CREDIT PROGRAM PR-0065, PR-1714, $30,000,000, 1990

The objectives of the program were: (i) to provide resources that are needed in the medium- and long-term to help finance activities in the industrial sector; and (ii) to facilitate the process of liberalizing the financial sector. The program included a credit component, the resources of which were used to finance capital goods and provide working capital primarily for industrial projects that were financially and economically profitable under the nation's private sector. It also included a technical assistance component for the preparation of baseline studies in the financial sector and institutional strengthening of the Superintendency of Banking.

21.2. INVESTMENT SECTOR PROGRAM PR-0003, PR-1894, $81,500,000, 1992

This program included a loan and a reimbursable technical cooperation to strengthen supervision and enhance the transparency of financial information, as well as establish standards for capitalization and allowances for credit risks that are in line with international standards. Actions required to meet those objectives included: executing a plan of action to strengthen the Superintendency of Banks; issuing accounting and auditing standards consistent with international standards; and issuing regulations on annual external audits of bank financial statements. Measures affecting capital markets were: approval of amendments to the Stock Exchange Law; to establish external audit standards for companies issuing publicly-traded securities; amending the Capital Market Act as it affected the National Securities Commission; encouraging the development of a long-term debt securities market; introducing a pension system capitalized with private contributions; strengthening the regulatory framework for insurance companies; preparing an action plan to institutionalize a risk rating mechanism for publicly-traded securities.

21.3. GLOBAL MICROENTERPRISE CREDIT PROGRAM PR-0013, PR-1878, $10,000,000, 1992

The main objectives of this program were: (i) to increase the flow of reasonably priced credit to microenterprises, (ii) to create a growing, self-sustainable channel of credit to this group through regulated financial institutions, (iii) to foster awareness of the special requirements of microenterprise credit within the country's regulatory institutions, and (iv) to develop a new institutional framework which would assure microenterprises continued access to financial and technical

assistance services. The technical cooperation component of this program was divided into five areas: strengthening of a program technical unit, assistance to selected financial institutions in developing a credit technology targeted to meeting the needs of microenterprises, developing a framework for offering cost-efficient and appropriate training and technical assistance to microenterprises, monitoring and initiating corrective actions on environmental issues and those related to women, and assistance to the CBP and Superintendency of Banks in the reform of the regulatory framework in the supervision of microenterprise lending activities.

21.4. INSTITUTIONAL STRENGTHENING OF THE BANK SUPERINTENDENCY
ANT/MT-5479-PR, MIF/AT-112, $1,200,000, 1996

The primary objective of this program was to strengthen the office of the banking superintendent. The program included four subprograms: (i) development of a regulatory framework established under the central bank charter and the new general law governing banks, finance companies and other credit institutions; (ii) training and professional upgrading for the technical staff of the superintendency; (iii) improving audit and evaluation by providing computerized systems; and (iv) implementing new and improved means for dissemination of information for institutions in the financial system.

21.5. INSURANCE INDUSTRY REFORM
ATN/MT-6357-PR, MIF/AT-228, $915,000, 1999

This project was intended to improve the functioning of the insurance market as a means of promoting private sector development It provided institutional strengthening support to the Superintendency of Insurance to give it the capacity to issue modern prudential standards and to supervise the country's insurance companies effectively, and developed efficient procedures for the regulatory agency and for insurance companies to improve solvency in the sector.

21.6. STRENGTHENING OF TRANSPARENCY AND FORMALIZATION OF THE FINANCIAL SYSTEM
ATN/MT-7926-PR, MIF/AT-480, $641,000, 2002

This program seeks to open the way for effective action against money laundering; promote the balanced growth of nonbanking financial entities; and provide support to the Superintendency of Banks to improve its connectivity with financial intermediaries. The overall objective of the program is to help the financial system operate properly by introducing improvements in its prudential oversight in order to strengthen its legal structure and institutional expression.

22. Peru

22.1. FINANCIAL SECTOR REFORM
PE-0033, PR-1832, $221,825,000, 1992

The operation consisted of a financial sector adjustment loan and an institutional strengthening and technical assistance technical cooperation for institutions participating in the financial sector program. The banking supervision component aimed at strengthening the solvency of the financial system by reforming financial prudential regulations, reorganizing the Superintendency of Banking and Insurance in the areas of supervision, auditing, staffing, training, organization and

computing, and immediately establishing a special supervisory unit to act while the Superintendency was being reorganized. The technical cooperation program consisted of the provision of the consulting services and equipment necessary to bring about the reforms. It also included funding for the design and implementation of the social security reform.

22.2. MULTISECTOR CREDIT PROGRAM
PE-0113, PR-2019, $100,000,000, 1994

This project consisted of two parts. The first was a credit component in which medium- and long-term loans were passed through a qualifying financial intermediary to benefit private sector. The second part was an institutional support component aimed at assisting government officials charged with oversight and enforcement in environmental activities. Building upon the progress achieved in a series of wide-ranging financial reforms, it made it possible for the Corporación Financiera de Desarrollo to discount funds made available by the IDB for on-lending to intermediaries assuming the full risk of individual credit operations. Because many of the authorities and regulations in this area were new, the technical cooperation component included an information dissemination program to be implemented across various ministries and directed at the end users of credit, in addition to the training for government personnel.

22.3. PROGRAM FOR CITIZEN PARTICIPATION IN PRIVATIZATION AND CAPITAL MARKET DEVELOPMENT
ATN/MT-4909-PE, MIF/AT-42, $1,731,000, 1995

This nonreimbursable technical cooperation program strengthened the reforms undertaken by Comisión de Promoción de la Inversión Privada (COPRI), the Comisión Nacional Supervisora de Empresas y Valores (CONASEV), and the Lima Stock Exchange (BVL). The program comprised three subprograms: (i) support for the citizens participation program to expand capital markets and increase and diversify public ownership of privatized enterprises; (ii) strengthening the regulatory framework for capital markets; (iii) institutional strengthening and modernization of the Lima Stock Exchange; (iv) improve the transparency of information on securities and secondary markets operations; and, (v) promote securities markets through public participation.

22.4. INVESTMENT SECTOR REFORM PROGRAM
PE-0097, PR-2178, $150,000,000, 1996

This program concentrated on the infrastructure and finance sectors that offered significant opportunities for private participation. In the financial area, the program contributed to a more orderly operation of the financial and securities markets, and supported the extension of financial services to small and microenterprises. The program also called for a $3 million parallel technical assistance program financed by the government, which was dedicated to reviewing the existing banking and insurance norms and regulations.

22.5. DEBT AND DEBT SERVICE REDUCTION PROGRAM
PE-0103, PR-2155, $235,500,000, 1996

This program enabled the restructuring of approximately $10.8 billion in external debt. Bank financing was joined by support from the World Bank, the International Monetary Fund, and

Export-Import Bank of Japan. Financing from these sources (totaling an estimated $800 million), in conjunction with the use of the country's reserves (for an estimated $635 million) enabled Peru to finance the purchase of collateral and debt buyback under the Agreement, for a sum of about $1.4 billion. This operation was designed to help improve Peru's external viability and foster economic development through support for the debt and debt service reduction program and financing for the purchase of collateral and a debt buyback in the context of an agreement with commercial banks.

22.6. MULTISECTOR CREDIT PROGRAM

PE-0191, PR-2337, $200,000,000, 1998

The program was intended to promote the deepening of financial markets by supplying of medium- and long-term financing to intermediaries to encourage and enable them to develop new lending programs and meet the investment needs of private enterprise, particularly the needs of SMEs. The program included technical assistance for a feasibility study of how the Financial Development Corporation (COFIDE) could best raise and place medium- and long-term resources in domestic financial markets. The study was combined with an analysis of how the floor interest rate on COFIDE loans to financial intermediaries could be more closely linked to medium- and long-term rates in the bond markets.

22.7. SUPPORT PROGRAM FOR INSTITUTO DE FORMACIÓN BANCARIA

ATN/ME-5879-PE, MIF/AT-158, $1,300,000, 1998

This grant assisted the institute (Instituto de Formación Bancaria) in conceptualizing and delivering a range of banking and financial training services, especially in the area of small business. As many as 22,000 persons were expected to receive indirect benefits of the institute's training programs, including employees in the banking sector, finance officers in the nonbanking sector, and graduate and post-graduate students.

22.8. FINANCIAL SECTOR REFORM II

PE-0202, PR-2415, $310,900,000, 1999

IDB financing helped strengthen the Peruvian financial system and assist the development of capital markets, mortgage markets, and greater access of low-income groups to financial services. The program was supported by two IDB loans, a $300 million sector loan to strengthen the capacity of the financial system to withstand external and internal shocks, and a $10.9 million technical assistance loan to complete financial sector reforms. The larger loan provided financial support to Peru while the country continued to deepen the financial reform, expanding access to housing finance and increasing the access of financial services to low-income sectors. In conjunction with the program, the Japan Special Fund contributed $543,100 for project preparation, and the Multilateral Investment Fund provided $3.5 million in grants to strengthen the Superintendency of Banks and Insurance in its on-site supervision of microfinance institutions, as well as to assist the reform and privatization of rural and municipal credit unions and to strengthen the on-site supervision of the national federation of credit unions.

23. Suriname

23.1. ADVISORY SERVICES TO THE CENTRAL BANK OF SURINAME
ATN/SF-7914-SU, $100,700, 2002

This program supports government efforts to create an environment of macroeconomic stability with particular emphasis on fiscal and monetary policy, as a basis for the implementation of sector reform programs that are being undertaken with the assistance of the IDB in the areas of trade, agriculture and finance. More specifically, the objective is to continue to assist in building the institutional capacity of the Central Bank of Suriname in order to transform it into an efficient agent in the development and management of monetary and foreign exchange policy, as well as a capable executor and monitor of the process of rationalization of the state banks.

24. Trinidad and Tobago

24.1. INVESTMENT SECTOR REFORM PROGRAM
TT-0012, PR-1914, $80,000,000, 1993

One of the five components of the program called for improving financial intermediation and increasing the resources available for investment, restructuring the Agricultural Development Bank, and strengthening the regulatory framework for capital markets. The program considered the adoption of new legislation to improve the regulation of securities trading through the establishment of an independent supervisory agency to oversee the market. It also promoted the creation of other securities markets, such as commodities and futures exchanges. The component included preparation of a Draft Companies Act, its presentation to the Cabinet subcommittee, and the preparation of an implementation action plan in terms of issues disclosure requirements and insider trading. In addition, it included preparation of a new Securities Industry Act, approval of the Act by the Cabinet, and making the oversight agency operational.

24.2. TECHNICAL COOPERATION TO STRENGTHEN BANK SUPERVISION
ATN/MT-6025-TT, MIF/AT-181, $720,000, 1998

This technical cooperation strengthened the supervisory capacity of the Department of Bank Supervision (DBS) within the Central Bank of Trinidad and Tobago and provided analytical support to the Central Bank as it spearheaded efforts to formulate strategies to achieve stronger and more coherent supervision across the entire financial sector. The TC complemented legislative reform efforts through: (i) training in emerging areas of bank supervision, including organization and performance of the financial system, consolidated supervision, internal controls, and risk management; (ii) improved information technology; and (iii) strategy formulation to enable the DBS to more quickly adapt to changes occurring in financial markets, including the areas of cross-border trade and the development of modern financial instruments, such as derivatives.

24.3. INTEGRATED FINANCIAL SECTOR SUPERVISION
ATN/MT-6983-TT, MIF/AT-327, $1,186,000, 2000

The overall objective of this program was to promote a sound and stable financial market by integrating the supervision of insurance companies and pension plans with that of banking institutions. This program focused on supporting the modernization of the legal and regulatory

framework for the creation of a new integrated supervisory entity for banking, insurance and pensions, as well as developing and implementing an efficient organizational structure of the new supervisory entity which is supported by a sound strategy and trained personnel. In addition, the program helped to strengthen the operational framework, particularly for insurance companies and pension funds. Diagnosis of the insurance and pension industry were conducted to determine where weaknesses lay.

24.4. SECURED TRANSACTIONS
ATN/MT-7064-TT, MIF/AT-339, $650,000, 2000

The main objective of this nonreimbursable technical cooperation was to assist the government of Trinidad and Tobago in establishing an efficient legal and institutional framework for secured transactions that improve the conditions for access to credit services for small and medium businesses. The specific objectives were to modernize legislation for secured transactions by replacing the current structure with a single "code" of law that would regulate all transactions that involved security interests in movable property; update the registry systems and allow for registration of these transactions in a single, centralized registry; and support the continuing education for judges and lawyers in key elements of commercial law with particular emphasis on secured transactions.

24.5. SUPPORTING THE IMPROVEMENT OF THE ACCOUNTING PROFESSION
ATN/MT-8114-TT, MIF/AT-513, $665,000, 2002

The overall objective of the program is to strengthen the accounting profession in Trinidad and Tobago, and improve annual financial statements of business entities by providing transparency, reliability and comparability. The program components include: (i) conducting an independent assessment of accounting and auditing in accordance with the Reports on the Observance of Standards and Codes (ROSC) program and developing a Country Action Plan; (ii) assisting in the implementation and application of International Accounting Standards (IAS); (iii) building adequate mechanisms for the enforcement of IAS and International Standards on Auditing (ISA); and (iv) establishing systems and processes that sustain the implementation of IAS and ISA.

25. Uruguay

25.1. FINANCIAL SECTOR PROGRAM
UR-0031, PR-1784, $151,700,000, 1991

This sector loan and technical cooperation program was designed to complement the finance sector reform called for under a World Bank program (SAL II). Program objectives included making financial intermediaries more efficient and strengthen the oversight machinery to keep the system solvent. The program included financial legislation, regulation and supervision activities. In the area of legislation, it supported enactment of the Financial Intermediation Law (FIL) amendment to extend and strengthen the autonomy and authority of the Central Bank of Uruguay (BCU). In addition, the technical cooperation financed a study to determine the advisability of instituting an explicit deposit insurance system to replace the existing "implicit guarantee" arrangement. With respect to financial regulation, the program supported regulatory changes to enhance the solvency and competitiveness of financial intermediation enterprises.

Measures to improve financial supervision included support to enhance the authority of banking supervision and strengthen supervisory standards and procedures, among others.

25.2. INVESTMENT SECTOR REFORM PROGRAM
UR-0057, PR-1876, $68,800,000, 1992

This program allowed the Government of Uruguay to implement a series of major policy changes to attract private investment. The policies were to be grouped around four principal strategies. The first was the development of institutional savers through social security reform, the implementation of measures to develop private insurance and to strengthen regulatory functions. Secondly, the program promoted the institutional structure of equity, bond, money and long-term credit markets through the issuance of normative and operational instruments for the establishment and functioning of investment companies, and the development and implementation of tax treatment equalization measures. Also included was legislation allowing the establishment and functioning of investment companies (mutual funds) and the creation of Superintendency of Securities within the central bank. The reform program also included financing to build a regulatory framework for the securities and long-term credit markets, including implementation of stock exchange regulatory mechanisms, a review of legislation governing businesses and implementation of accounting standards for publicly traded corporations and new securities trading regulations. Lastly, the program supported the expansion of the securities market by submitting a legislative proposal to allow sales to the public of government shares in two state companies (ANTEL and PLUNA), modernize the operation, information, clearing and settlement of the stock exchange transactions, strengthen the regulation of stock and commerce exchange; reach a consensus on a tax equalization proposal; develop legislation to demonopolize the insurance industry; reach a consensus on social security reform and develop an action plan to promote private sector participation in the insurance business.

25.3. MULTISECTOR GLOBAL CREDIT PROGRAM
UR-0063, PR-1877, $90,000,000, 1992

The previous program was effective in strengthening banking regulators and the supervision of credit operations, making them sufficient and adequate. However, there was virtually no medium- or long-term credit, and when it existed, it was managed under short-term rules. This program supported the establishment of appropriate rules for medium- and long-term credit operations. Their implementation was recommended to be a condition for the first disbursement of the loan.

25.4. LOAN OPERATION TO ASSIST THE GOVERNMENT WITH SOCIAL SECURITY REFORM
UR-0108, PR-2114, $150,000,000, 1996

The specific objectives of this program were to: (i) establish a regulatory framework to allow full implementation of the law; (ii) improve the administrative efficiency of the Social Security Bank and the quality of its service; (iii) continue to support development of the capital market; and (iv) adapt pension plans that cover certain occupation groups (specifically professionals, bank employees, and notaries) to the new system. Capital markets development support reinforced a previously approved investment sector program.

25.5. GLOBAL MULTISECTOR FINANCING PROGRAM
UR-0021, PR-2360, $155,000,000, 1998

The objectives of this program were to expand medium- and long-term credit; to support the development of new products, such as securitization and private debt issues to develop a capital market; and to reinforce regulation and security mechanisms, especially for new activities. In particular, the program was intended to continue support for expanding the liquidity discount facility for financial intermediaries, created under Multisector Loan I. This follow-on program also included an institutional strengthening component for the Superintendency of Financial Intermediation Institutions (SIIF); the mortgage lending bank; and the financial intermediaries participating in the program. Activities were targeted toward modernizing and expanding the capacity of the SIIF to supervise and regulate activities related to the introduction of new products as well as developing the capacity of domestic financial entities to meet eligibility requirements and gain access to the program. In addition, the program called for the introduction of new instruments such as lines of credit to financial intermediaries to cover maturity mismatch risk and support for leasing operations.

25.6. CAPITAL MARKETS DEVELOPMENT
ATN/MT-6098-UR, MIF/AT-194, $1,336,000, 1998

The objective of the program was to contribute to consolidating and deepening Uruguayan capital markets by supporting the development of the regulatory and supervisory capacity of the Central Bank of Uruguay (BCU) over the securities and insurance markets. This was achieved through actions to strengthen the supervisory and regulatory capacity of the BCU's Superintendency of Insurance and Reinsurance; promote diversification in the supply of products and increase competitiveness in the insurance and reinsurance markets; strengthen the regulatory and supervisory capacity of the BCU's securities market control department; and promote an expanded number of companies trading securities on the country's stock exchanges and diversify the range of negotiable instruments traded on those exchanges.

25.7. MULTISECTOR GLOBAL FINANCING PROGRAM III
UR-0136, PR-2674, $180,000,000, 2002

This program is designed to meet the medium- and long-term credit needs of private enterprises by expanding and consolidating the supply of medium- and long-term credit for private sector investment projects and providing the liquidity needed to spur the use of financial products already available. The program also provides funds to enlarge the Central Bank's medium- and long-term discount window. Funding enables the Central Bank to provide intermediary financial institutions (IFIs) with lines of credit to discount subloans made by the IFIs. Financing will also support (i) capital investments of companies of any size and operating in any sector of private enterprise; (ii) term-mismatch insurance cover for IFI's medium- and long-term lending portfolios; (iii) medium-term financial and operating leasing; (iv) securitization of bank loans to support private sector productive investments; and (v) medium- and long-term export credit operations. This program should help make up the shortfall in the domestic financial market, which is not mobilizing sufficient medium- and long-term savings to fund private sector productive investments.

26. Venezuela

26.1. FINANCIAL SECTOR REFORM PROGRAM
VE-0071, PR-1726, $300,000,000, 1990

The program was designed to redefine the regulatory functions and strengthen the financial autonomy of the following institutions: the Central Bank (BCV), Ministry of Finance, the Superintendency of Banks and Financial Institutions, and the Deposit Insurance Fund (FOGADE). Also, the operation was dedicated to strengthening prudential regulation, auditing and information disclosure. As a condition for disbursement, the government had to submit to the Congress revisions to the BCV Act to make it consistent with the proposal for the SBIF.

26.2. PROGRAM TO STRENGTHEN THE FINANCIAL SYSTEM
VE-0101, AT-1056, $14,000,000, 1995

This program included short-term immediate actions as well as institutional strengthening actions. Immediate actions were aimed at supporting the banking sector stabilization process by establishing a short-term supervision and regulatory framework, among other measures. Institutional actions aimed at strengthening the banking system in the medium-term, included: strengthening financial supervision and regulation, strengthening the deposit guarantee fund and banking protection, strengthening the Insurance Superintendency and strengthening of the National Securities Commission.

26.3. SOCIAL SECURITY REFORM
VE-0100, PR-2272, $395,000,000, 1998

The overall program was designed to support the government of Venezuela's efforts to reform social security in order to transform it into a comprehensive system with an appropriate regulatory framework and increased private sector participation. The new comprehensive system consisted of three administratively and financially independent subsystems for pensions, unemployment, and health. The pension system reform component called for mandatory contributions to a new compulsory subsystem, based on combined principles of intergenerational transfers (or "solidarity") and individually funded accounts, with the State guaranteeing a minimum pension financed by general revenues. A parallel technical cooperation supported this reform operation by funding consulting services and studies associated with the policy and institutional reform efforts. Specifically, it was used to finance the technical preparatory work required to design the system, supply any assistance needed to prepare the legal and regulatory framework, ensure the institutional strengthening of new entities (including the superintendency and solidarity funds), and conduct the public information campaign.

26.4. STRENGTHENING OF THE VENEZUELAN AGRICULTURAL COMMODITIES EXCHANGE (BOLPRIAVEN)
ATN/MT-6872-VE, MIF/AT-311, $485,000, 2000

The executing agency was Bolsa de Productos e Insumos Agropecuarios de Venezuela (BOLPRIAVEN). The project included four components: (i) review of the regulatory and operating framework governing BOLPRIAVEN; (ii) development of negotiable exchange instruments; (iii) implementation of a price reporting and market information system; and (iv) strengthening of the institu-

tional capacity of BOLPRIAVEN. The main objective of these four components is to establish transparent marketing channels for agricultural commodities in Venezuela.

27. Regional

27.1. FINANCIAL AND SECURITIES MARKETS DEVELOPMENT PROGRAM
ATN/SF-5274-RG, AT-1090, $850,000, 1996

The objective of this program was to strengthen the development of domestic financial and securities markets and support regional integration by assisting with financial sector reform and modernization in borrowing countries. The program financed research on financial and securities markets in Latin America and the Caribbean. Research topics included the institutional requirements for financial development and innovation, with particular attention given to the regulatory and supervisory aspects of these markets, focusing on the lessons for the region. The program was divided into five subprograms: (i) Risk Management Program; (ii) Survey of Financial Systems; (iii) Best Practices in Accounting and Auditing Standards-Information Disclosure for Commercial Banks and Public Listings; (iv) Training Programs for Bank Supervision; and (v) Investor Education.

27.2. BANK AND SECURITIES MARKETS SUPERVISION REGIONAL TRAINING PROGRAM
ATN/MT-5855-RG, MIF/AT-140, $1,300,000, 1997

This program was designed to enhance regional and subregional training of bank and securities markets regulators. Funding was limited to programs with a regional focus in order to help develop a consistent supervisory approach and common minimum standards. The demand for funds from the Multilateral Investment Fund program covered several training programs for banking supervisors and securities markets regulators.

27.3. MULTISECTOR GLOBAL CREDIT PROGRAM
RG-0014, PR-2226, $300,000,000, 1997

This credit program consisted of a loan from the IDB to the Inter-American Investment Corporation (IIC) to be used as a credit program for the region's small- and medium-sized businesses. The IIC program financed direct loans and lines of credit to financial intermediaries without government guarantee. Funds were in turn lent to create new businesses and to expand, restructure or privatize existing firms. The IIC estimated that projects in its future active portfolio would generate annual export revenues of more than $1 billion, as well as create close to 100,000 jobs, directly and indirectly. By providing comfort to commercial lenders and encouraging private lenders to provide the IIC with resources at attractive rates, the program also strengthened the Corporation's role as a source and catalyst for private sector resources for the region. Although the IDB loan could not be used for equity investment, the loan freed the IIC's own resources for that purpose.

27.4. INTEGRITY OF FINANCIAL MARKETS
ATN/MT-5909, MIF/AT-165, $480,000, 1998

The objective of this project was to implement a pilot program to train financial regulators and the regulated in borrowing member countries in best practices for the detection and prevention of money laundering.