

REFORM OF THE INSURANCE INDUSTRY FOR DEVELOPMENT OF THE PRIVATE SECTOR

(TC-98-05-02-1-PR)

EXECUTIVE SUMMARY

BENEFICIARY AND EXECUTING AGENCY: Central Bank of the Republic of Paraguay (BCP) through the Superintendency of Insurance (SIS).

FINANCING: Modality: Grant - Window I

MIF:	US\$ 915,000
Local counterpart:	US\$ 772,000
Central Bank:	US\$ 610,000
Insurance firms:	US\$ 162,000
Total:	US\$1,687,000

IMPLEMENTATION SCHEDULE: Commitment period: 30 months
Disbursement period: 36 months

OBJECTIVES: The principal objective of the project is to improve the functioning of the insurance market in order to foster the rapid development of the Paraguayan private sector. To achieve this aim, the program will seek: (i) to strengthen the Superintendency of Insurance (SIS) as an institution to give it the capacity to issue modern prudential standards and to supervise the country's insurance companies effectively, and (ii) to develop efficient procedures for the regulatory agency and for insurance companies to improve solvency in the sector. The program will have the following components: (i) staff strengthening, (ii) consultancy for preparation of legislation and standards, chart of accounts, manuals, guidelines, data collection, and business accounting, (iii) establishment of risk registry and complaint system, (iv) training, (v) supply of equipment, and (vi) project coordination.

SPECIAL CONTRACTUAL CONDITIONS: Prior to the first disbursement of funds, the SIS must meet the following requirements to the Bank's satisfaction: (i) appoint a project coordinator (paragraph 3.19); (ii) have a budget allocation approved by the BCP board of directors to cover the hiring of ten staff members (paragraphs 3.3 and 3.5); and (iii) establish that the training-for-trainers component will be financed equitably with the enterprises on a *pari passu* basis (fifty-fifty) (paragraphs 3.3 and 3.20). The contract will also include conditions to ensure program monitoring and evaluation, submission of duly audited financial statements, and use of the Bank's procedures in procuring goods and consulting services.

EXCEPTIONS TO BANK POLICY OR PROCEDURES: None.