



1. Project Data:		Date Posted : 02/15/2001	
PROJ ID: P063390		Appraisal	Actual
Project Name : Fin Sctr Reform	Project Costs (US\$M)	80.9	80.9
Country : Uruguay	Loan/Credit (US\$M)	80.9	80.9
Sector(s) : Other Finance	Cofinancing (US\$M)		
L/C Number : L4540			
	Board Approval (FY)		00
Partners involved :	Closing Date	12/31/1999	06/30/2000
Prepared by :	Reviewed by :	Group Manager :	Group :
2. Project Objectives and Components			
a. Objectives			
To support the first stage of the financial sector reform program, aiming at creating an environment conducive to a better functioning financial sector, able to withstand financial shocks, and with greater participation in the financial market.			
b. Components			
1. Improvement of competition in the banking sector;			
2. Restructuring of public banks;			
3. Steps to privatize an intervened bank (Banco de Credito);			
4. Strengthening of banking regulation, supervision and inspection;			
5. Introduction of greater transparency in the financial sector; and			
6. Modernization of the financial sector legal framework			
c. Comments on Project Cost, Financing and Dates			
The loan, a single tranche adjustment loan, was disbursed fully when the disbursement conditions were met			
3. Achievement of Relevant Objectives:			
All objectives were achieved. The policy reform measures supported by the loan were implemented before approval by the Board.			
4. Significant Outcomes/Impacts:			
1. Public banks, which control 35% of the system's deposits, have lost a number of privileges, including the monopoly on the bank accounts of public agencies and a more lenient application of regulatory norms .			
2. The two largest public banks have started to adopt a new policy to control its credit risks (Banco de la Republica Oriental del Uruguay) and to reduce the currency mismatch between assets and liabilities by issuing mortgages denominated in US dollars (Banco Hipotecario del Uruguay).			
3. Banking regulation and supervision have been strengthened, in particular in the areas of risk, solvency, audits and valuation of assets and guarantees.			
4. The public has more and better information about the financial system .			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
None			

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	The text (par. 24 of ICR) lists sustainability as likely
Bank Performance :	Highly Satisfactory	Highly Satisfactory	

Borrower Perf .:	Highly Satisfactory	Highly Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

In slow reforming countries, the Bank can be more effective by adopting modest goals for reform in the short -term while keeping them within a medium-term reform framework

In slow reforming countries, the Bank should use several single -tranche adjustment operations to support a medium term reform program

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR reviews in a clear manner the loan, its objectives and the fulfillment of its conditions . The ICR could have explained better if loan conditions met before the PCD was issued were part of loan preparation (they were, in fact, part of the preparation). Also, it could have informed how the actions taken by BHU to reduce the term mismatch of its assets and liabilities changed its financial position .