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**USAID/HONDURAS**  
**BANK STRENGTHENING PROJECT**

**Final Report**  
**August 6, 1991**

*Price Waterhouse*



August 6, 1991

Reese Moyers  
Private Sector Officer  
USAID/Tegucigalpa  
Tegucigalpa, Honduras

Dear Reese:

We are pleased to present ten copies of the Final Report, Honduras Bank Strengthening Project, prepared by a Price Waterhouse team of Barbara Friday, Dr. Eileen Muirragui, Margarita Fernández and John Moran. The objective of this engagement was to design and develop a project to strengthen the banking sector of Honduras through training, and improved information and management systems. The Bank Strengthening Project was funded jointly by USAID, the Honduran Bankers Association (AHIBA) and the Central Bank of Honduras (BCH). This final report is the result of several visits to Honduras during which the team worked closely with USAID, the Honduran commercial banks and the Central Bank.

We appreciate the opportunity to be of service to you on this important assignment. Please feel free to call us if you require any further assistance.

Sincerely,

J. Richard Breen  
Director,  
Financial Sector Development Project

cc: Sandra Frydman, APRE/EM

*a*

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## **I. Executive Summary and Recommendations**

### **A. Background**

When the Callejas Government assumed office in March 1990, it began to open the Honduran economy to market forces. While the process of liberalization is not complete, the effects of change are being felt throughout the country and by all sectors, including the banking sector.

The Honduran Bank Strengthening Project aims to assist the Honduran banking sector in understanding and adapting to these necessary changes by increasing analytical, technical, managerial and administrative capabilities and by ensuring a more reliable flow of essential financial information through the system. Additionally, the project seeks to broaden access to bank financing, especially to small businesses and others often excluded due to traditional emphasis on collateral-based lending. Working jointly with the Central Bank of Honduras (BCH), the Honduran Bankers Association (AHIBA), and USAID/Honduras, the program will provide training, an information system and technical assistance for the banking sector.

### **B. Project Description and Conceptual Premises**

The program is based on four basic premises: it will be nation-wide, collaborative, multi-faceted and self-sustaining. Training will be provided and information systems will be established to support the banking community throughout Honduras. Collaboration between the public and private banking sectors, among the commercial banks, between the banking sector of Honduras and those of other countries and between Honduran banks and USAID/Honduras has resulted in a well-rounded program that could benefit up to 2,800 bank employees, therefore strengthening the banking sector as a whole. The program has several mutually supportive components, the largest of which are training and information systems. Finally, one of the underlying premises of the program is that it be self-sustaining by its fifth year of existence.

#### **1. Training Component**

The objectives of the training component are 1) to improve the managerial, analytical, technical and administrative skills of the Honduran banking community and 2) to democratize access to bank financing, especially among small businesses, due to increased capabilities in and emphasis on cash-flow and financial statement analysis. The program will be carried out at four levels:

- o Senior Management (Programa Gerencial) To expose bank general managers, presidents and regional managers to the latest issues and**

developments affecting the banking sector. Courses include strategic planning, credit policies, financial controls, systems for loan loss reserves, international issues affecting banking, and management information systems for decision-making.

- o Upper and Mid-Level Management (Programa Especializado) Directed toward some general managers, area managers, heads of departments and managers of large branch offices. Courses will focus on both management and technical issues.
- o Mid-Level Personnel (Programa Técnico) Designed to assist technical personnel who carry out specific technical tasks in various bank departments such as operations and credit officers.
- o Entry-Level Personnel (Técnico Bancario) Planned to give entry level and clerical personnel exposure to banking and to serve as a basis for understanding and mastering the more advanced technical skills required at higher levels.

During the design phase of the Bank Strengthening Project, the Honduran banking community identified seven areas for desired improvement. These areas are:

- o Macroeconomic Environment
- o Bank Operations
- o Capital Market Development
- o Efficiency/Human Resource Development
- o Management Information Systems
- o Strategic Planning
- o Regulatory Environment

The bank training program has been designed around the attainment of goals in each of these areas and the proposal which follows offers an extensive listing of courses for the attainment of each of these goals. Implicit in each of these goals is an increased emphasis in analytical skills that will facilitate a broadening of the lending base to include small businesses. Most of the training program is oriented to meet the needs of the Honduran commercial banks. Some courses suggested however, are appropriate for Central Bank personnel.

## 2. Information Component

Complementing the training program is an extensive information systems component. The Information Component is comprised of two main activities: the organization and

establishment of library and information systems and the expansion of a publications program. Most of this activity will be focussed on the Central Bank system.

The Library and Information System will organize and expand existing holdings at the Central Bank headquarters in Tegucigalpa, establish branch libraries in San Pedro Sula, La Ceiba and Choluteca, and assist AHIBA in the organization of a documentation center. It will also install a network to link the aforementioned libraries which will enable the system to transmit information from one city to another quickly and efficiently.

A publications program will be established, which will result in the expansion of banking and finance publications produced by the Central Bank and the inauguration of serials prepared by AHIBA.

### **C. Project Funding**

Supporting these diverse activities will be outside technical assistance and an augmented administrative unit at the AHIBA. The project proposed herein requires total funding of US\$ 2,627,000 over four years. Project funds will be provided by USAID/Honduras (50.44%), AHIBA (26.11%), and the Central Bank of Honduras (23.45%). The project budget, indicating A.I.D. Grant and Counterpart funds over the four year life of the project, is illustrated on the following page.

**AHIBA/AID/BCH BANK STRENGTHENING PROGRAM**  
**AID Grant and Honduran Counterpart Contribution**

	<u>AID GRANT</u>	<u>COUNTERPART</u>			
	<u>AID</u>	<u>BCH</u>	<u>AHIBA</u>	<u>Total Counterpart</u>	<u>Total Project</u>
I. Bank Strengthening	<u>1,325,000</u>	<u>616,000</u>	<u>686,000</u>	<u>1,302,000</u>	<u>2,627,000</u>
Training	700,000	175,000	450,000	625,000	1,325,000
Research/Dissemination	400,000	425,000	150,000	575,000	975,000
MIS hardware/software for data bank	25,000		25,000	25,000	50,000
T.A. for data bank	25,000		25,000	25,000	50,000
Training base Line t.a.	50,000	10,000	30,000	40,000	90,000
Evaluation	75,000	1,000	1,000	2,000	77,000
Audit	50,000	5,000	5,000	10,000	60,000

**AHIBA/AID/BCH BANK STRENGTHENING PROGRAM**  
**Counterpart Contributions (USDlrs)**

	<u>Counterpart Contributions</u>					<u>AID Grant</u>
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Total Counterpart</u>	<u>Total AID</u>
I. Bank Strengthening	<u>460,350</u>	<u>313,500</u>	<u>332,192</u>	<u>195,958</u>	<u>1,302,000</u>	<u>1,325,000</u>
Training	164,100	152,500	197,442	110,958	625,000	700,000
Research/Dissemination	201,250	161,000	127,750	85,000	575,000	400,000
MIS hardware/software for data bank	25,000				25,000	25,000
T.A. for data bank	25,000				25,000	25,000
Training Base Line t.a.	40,000				40,000	50,000
Evaluation			2,000		2,000	75,000
Audits	5,000		5,000		10,000	50,000

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## **II. Background**

### **A. Introduction**

For decades, despite slow, if not declining rates of growth, the economic environment in Honduras had been characterized by strict government controls limiting competition and creating an appearance of stability. The "rules of the game" had been clear -- the Lempira had been pegged to the US Dollar at the same rate for over 50 years, interest rates did not fluctuate with the market, but were set by the Central Bank of Honduras, and even when other countries in the region were pushing to export, Honduras' tariff policies continued to favor import substitution. By the end of the 1980s, however, these and other highly protectionist policies resulted in an inefficient economic environment burdened by high levels of foreign debt, fiscal deficit and an overvalued currency.

The Callejas administration, which assumed office in March 1990, has moved to liberalize the economy and increase economic and market efficiency, implementing several policy changes. The exchange rate was adjusted to more closely reflect real market rates and credit and interest rate policies were liberalized. These initiatives, and especially two of their consequences -- inflation and uncertainty -- have had a profound effect on the Honduran banking community. The financial sector is now subject to new strains and forces which demand greater levels of skill and training of human resources than ever before.

The Honduran Bank Strengthening Project aims to assist the Honduran banking sector confront these necessary changes by increasing analytical, technical, managerial, and administrative capabilities and by ensuring a greater and more reliable flow of essential financial information through the banking system. Working jointly with the Central Bank of Honduras, the Honduran Banker's Association (AHIBA) and USAID/Honduras, the program will provide training, an information system and technical assistance for the banking sector.

### **B. Methodology**

The information in this report was compiled from a broad range of sources. Members of the FSDP team conducted interviews with the following individuals: senior- and mid-level management, and human resource personnel at the individual commercial banks, as well as at the Central Bank of Honduras; and senior-level management at the training institutions listed in Appendix E of this report. Information and results were also derived from AHIBA documentation, and a nationwide training census/questionnaire distributed to the banking sector.

This Background section provides a constraints analysis of the banking sector and discusses the role of the Honduran Bankers' Association (AHIBA)

## **C. The Honduran Banking Sector**

### **1. Background**

The financial sector in Honduras consists of fourteen commercial banks, three development banks, six savings and loan institutions, and an industrial finance company. With few exceptions, these institutions are weak and the conditions of some are deteriorating.

The commercial banks control about 90% of the country's deposits and about 90% of the financial assets. About 80% of the banks' assets arise from private deposits and about 15% are comprised of rediscounted loans from the Central Bank. The highest reserve factor is 35%, leaving about 70% for lending purposes.

Inflation has accelerated in the past two years and has brought with it negative real interest rates. The savings rate declined in 1989 and as of June 30, 1990 the external debt was in arrears by about US\$640 million.

While current policy reforms aim to increase efficiency and profitability, the road to achieve these goals will not be easy. The long-term goal is stronger, more effective banking and financial sectors. In the near term, however, the new and increasingly competitive environment will likely be difficult for the financial sector. The Bank Strengthening Program described herein addresses some of the needs of the commercial banks and of the Central Bank. The program could be modified over time to assist the savings and loan institutions as well as other financial institutions.

Four levels of constraints can be addressed and assisted through project efforts. They are policy, human resource/technical, information and organizational.

### **2. Constraints**

#### **a. Policy Environment**

As noted above, Honduras' rapidly changing policy environment has profoundly affected the banking sector. Bankers throughout Honduras expressed their desire to better evaluate and predict the impact of new and potential policies on their portfolios and operations. Their ability to adapt to, indeed influence, new legislation and regulations

would be greatly enhanced through effective participation in the policy process. The proposed Bank Strengthening Project will assist the banking community to do so through increasing its capability to analyze key factors which affect the financial sector. This will be facilitated by the project's four key elements:

- o Training, including senior management participation in seminars focussed on economic issues as well as on matters of management
- o Information, involving improved quality and flow of important financial information through the system as well as the sponsorship of occasional research papers;
- o Technical Assistance, in a wide range of areas and supportive of the overall project;
- o Institutional Development/Administration, characterized by a well-organized professional association that is able to effectively represent and promote the needs of its membership.

**b. Human Resource and Technical Constraints**

USAID/Honduras has supported several efforts over the past two years to assess human resource capabilities of the banking sector. Needs assessments have been performed through Price Waterhouse consultancies as well as through workshops sponsored by INCAE, the Central American School of Business Administration. These efforts have identified needs at all levels of personnel.

At the senior management level (Programa Gerencial), most of the concern among bankers centered around traditional management issues and issues directly related to the rapidly changing economic environment. Bankers were especially concerned about their ability to manage profitably within this unpredictable environment. Bank presidents and senior management expressed interest in courses related to structural adjustment and its impact on the financial sector, new financial instruments, strategic planning, government and banking industry relations and human resource development.

For upper and mid-level personnel (Programa Especializado), as well as mid-level employees (Programa Técnico) both technical and management weaknesses were specified. Weaknesses at the entry level (Técnico Bancario) were identified to be technical. Course descriptions to address each of these areas are presented later in this report.

In order to overcome human resource and technical constraints, a major emphasis of the Honduran Bank Strengthening Program will be training. Courses and curricula have been developed for all levels of bank employees from senior management to entry level and address management, technical and behavioral issues.

### c. Information Constraints

Up-to-date and accurate information is critical to effective bank operations. Currently, the Honduran banking sector has insufficient access to information on key economic, financial and banking issues. This includes analyses of international events and policies affecting the Honduran banking sector, assessments of domestic macroeconomic and financial policies, and general information on banking. Additionally, Honduran banks have inadequate information regarding clients. There is no credit reference system in place and banks have suffered from bad loans.

The Honduran Bank Strengthening Project will address this situation on several levels. First, it will establish a modern library system linking the library of the Central Bank and financial data from the Superintendency of Banks with a newly organized documentation center at AHIBA. Second, it will set up small Central Bank reference centers in several other major cities. Third, through both Central Bank resources and technical assistance to AHIBA, specialized research on important topics will be undertaken and conferences will be sponsored. Finally, a credit reference bureau will be established at AHIBA.

### d. Organizational Constraints

The Honduran Bankers' Association, AHIBA, traditionally has been a weak and fragmented organization. The level of services it has provided to the banking sector has been minimal. Unlike bankers' associations in other countries, AHIBA has sponsored few activities that would strengthen the financial sector. These could include training programs, research on issues of key importance to the banking sector and/or lobbying and representational efforts of the sector with regard to policy making. Instead, AHIBA has been characterized as a group of senior bankers who meet monthly for important but unstructured professional reasons. Consequently, it has received little support from the banking community and individual banks' interests have taken precedence over those of the banking sector as a whole.

One of the major objectives of the Bank Strengthening Project is the institutional development of AHIBA to better enable the association to serve its members. Through the active involvement of AHIBA and BCH, the Bank Strengthening Project will address

constraints at the policy, human resource, information and organizational levels. A discussion of the Honduran Bankers' Association is presented in the next section.

### **D. The Honduran Bankers' Association, AHIBA**

The Honduran Bankers' Association, AHIBA, was created to represent the interests of the private banking community. Until recently, AHIBA had been perceived as a weak organization which had performed few functions to support its membership.

Since 1989 the association has made several significant changes. AHIBA has appointed a new and active Board of Directors, hired two (consecutive) full-time Executive Directors, acquired property on which to construct its future, permanent headquarters, and for the near-term, moved its executive office space to a fully furnished suite at Banco Mercantil. Finally, over the past eighteen months, the new AHIBA leadership has collaborated with the Central Bank of Honduras and with USAID on the design of the Bank Strengthening Project.

This section will present AHIBA's purpose, strategy, structure and its financial sustainability.

#### **1. Purpose**

The basic purpose of AHIBA is to protect the general interests of the banking industry and to contribute to the development of the banking system. To this end, it is expected to function as an advocate for bank-related legislation and economic policy, a clearing house for research and information, a provider of training courses and materials, and a facilitator of communications among member banks, other private sector entities, foreign bank associations and the Government.

According to its charter and by-laws, AHIBA has four objectives, to:

- o protect the interests of the banking community, especially with regard to common concerns, such as interest rate policy, the bank law and bank regulations;
- o serve as an information resource for the financial community, by preparing research and position papers on relevant issues, establishing a resource center and organizing a credit information system on clients in the financial market;

- o provide a forum for discussion of topics relevant to the banking community, the private sector and the economy as a whole. This could take the form of annual conventions, general interest seminars and programs, and international meetings as well as the development of close and active relationships with bankers' associations in other countries; and
- o contribute to the improvement of banking services in Honduras through the provision and coordination of training for bank officers in the association.

**2. AHIBA's Development Strategy**

a. The Primary Focus

AHIBA will become the premier private commercial bankers' association in Central America. Its mission will be to maintain continuous vigilance over the financial and banking sectors of Honduras, and to raise the level of performance by banks and individual bankers in the system. AHIBA will be financially self-sufficient.

When appropriate, AHIBA will speak with one primary voice in order to reflect the views and the considerations of the entire banking sector. It will diligently consider the needs and perspectives of each of its members, and will seek to treat them all equally.

b. Implementation

To accomplish its stated mission and objectives, AHIBA must address certain key elements of implementation. A number of these elements will be undertaken through a series of activities supported by the Bank Strengthening Program. These activities, described in greater detail in Section III of this report, include the development and implementation of an extensive training program, and the establishment of an information resource network.

AHIBA's strategy to accomplish these objectives includes the following key elements:

- o representation of the Honduran banking sector's interests regarding legislation, policies and regulations affecting the financial sector;
- o active support for, participation in and implementation of the Honduras Bank Strengthening Project;

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- o development of a detailed four-year strategic workplan including AHIBA's goals in terms of services, activities, size and geographical reach;
- o collaboration with the Central Bank of Honduras, the private sector umbrella organization (COHEP) and other Honduran private sector organizations and associations;
- o collaboration with international bankers associations, especially from other Latin American countries, and involvement with organizations such as FELABAN (Federación Latinoamericana de Bancos) and CEMLA (Centro de Estudios Monetarios Latinoamericanos);
- o obtaining sufficient financial contributions from member banks to support new personnel required to plan, design and implement an expanded level of activities;
- o obtaining progressively larger levels of funding over the next four years from member banks to assure self-sufficiency upon termination of the USAID grant; and obtaining support from other donors to implement the technical assistance component of the Bank Strengthening Project; and
- o creation of permanent and ad hoc committees to address important issues, express opinions, plan and implement activities.

The above outlined strategy will be carried out primarily through a series of activities supported by the Bank Strengthening Project. These activities, described in greater detail in Section III of this report, include the development and implementation of an extensive training program, and the establishment of an information resource network. Other efforts, such as the creation of a credit information bureau, the support of research and the carrying out of conferences may take place later on.

### c. Committees

In addition to the activities under the Bank Strengthening Program described in detail below, an important contribution that AHIBA can make to the financial sector is to create committees for the purpose of researching critical issues and publishing their findings.

The original AHIBA by-laws provide for the board of directors to delegate authority to the committees for the purpose of studying relevant issues or problems. AHIBA will establish some pertinent committees, which will continually review certain broad subjects or themes, constant to the financial sector. There also will be ad hoc committees for the

purpose of considering current issues or problems. These committees will be asked to present position papers which will reflect their study and will be accompanied with appropriate recommendations. Membership on the permanent, or standing, committees will be voted on and rotated among members on an annual basis. The work of these vital committees will be published and will be made available to other interested entities, organizations, and institutions. Some publications may be made available to non-AHIBA members for a modest fee.

### **3. Structure and Organization**

Decision-making authority for AHIBA rests with the General Assembly, Board of Directors and President of the Board of Directors.

The statutes designate the General Assembly as the supreme authority of the association. The General Assembly convenes annually to inform the AHIBA membership of activities that transpired during the previous period, approve the balance sheet, approve or modify the next budget and elect members of the Board of Directors. The General Assembly holds at least one meeting per year, in June, and extraordinary meetings can be called when deemed necessary.

AHIBA's Board of Directors provides leadership, policy direction and guidance to the association. Board members include a President, Vice President, Secretary and Treasurer, each elected for a period of one year. The Board of Directors represents the association through the President, administers the business of the association, creates and submits a budget to the General Assembly, directs the policies of the association and, on suitable occasions, delegates its full faculties to select committees for the purpose of studying and preparing position papers on important banking and economic issues.

The President of the Board of Directors is the legal and social representative of the association. In addition to providing leadership to AHIBA, his basic responsibilities are to ensure that the regulations and statutes of the association are consistently met, that resolutions approved by the General Assembly are carried out in accordance with their approval, and to preside over the monthly meetings of the Board of Directors and of the General and Extraordinary Assemblies.

The AHIBA Board has the authority to designate permanent and ad hoc committees to which it can delegate responsibility to research and study a subject, issue, or problem. Permanent and ad hoc committees examine timely issues, prepare reports and make recommendations for consideration by the Board, the President and the General Assembly.

Program implementation is carried out by the staff of AHIBA. Until recently, the association's staff was very small and consisted of an executive secretary. In recent months the Board authorized the position of Executive Director and of Training Director and future plans call for other staff increases.

AHIBA's offices are located on the fourth floor of the new headquarters building of Banco Mercantil. The association expects to remain there for the foreseeable future. In the medium term, however, plans for the construction of its own site have been discussed by the Board of Directors. With this purpose in mind, AHIBA has already purchased property.

#### **4. Financial Support and Sustainability**

The association's by-laws provide for the capitalization of the association and for monetary obligations of its members. AHIBA is financed primarily through monthly quotas paid by each of the 14 member banks. Until very recently, this has been limited to Lempiras 1,000.00 per month. There is a provision for ordinary and extraordinary contributions, or quotas. The income stream from quotas is enhanced slightly by interest earnings on a time certificate of deposit.

#### **E. Conclusion**

The Bank Strengthening Project (BSP) is designed to assist the banking community confront the economic changes resulting from the economic reform and financial liberalization programs currently under way in Honduras. A strengthened and active bankers' association will greatly contribute to the development of a sound and stable Honduran financial system. A strengthened financial system, will in turn, facilitate greater access to bank financing by groups heretofore excluded, such as small businesses. Increased technical capabilities will enable banks to evaluate and make lending decisions based on an analyses of client's financial soundness, rather than strictly its ownership of real property or other assets that fulfill current collateral requirements.

Throughout the implementation of the BSP, AHIBA will play an instrumental role in representing the interests of the Honduran banking community. Through the provision of information regarding the financial sector, coordination of training programs for commercial bank employees, and the creation of committees to study the issues facing the financial sector, the BSP seeks to revitalize the analytical, technical, managerial, and administrative capabilities of the banking community. The project's four principle elements, Training, Information, Technical Assistance, and Administration, provide the banking sector with the appropriate tools and resources needed to face economic reform.

### **III. Project Description**

This section of the Bank Strengthening Project proposal presents the project's goals and objectives, explains the overall conceptual approach and discusses its components in detail.

#### **A. Goals and Objectives**

As part of an overall goal to fortify the financial underpinnings of the Honduran economy, the Honduran Bank Strengthening Project will assist the banking sector. The aim of the project is to increase the managerial, analytical, technical and administrative capabilities of personnel in the Honduran banking sector, to broaden the lending base to include small businesses, and to improve the quality and flow of essential financial information through the banking system.

#### **B. Conceptual Approach**

The design of the Honduran Bank Strengthening Project is based on four key premises: the project will be nation-wide, collaborative, multi-faceted and self-sustaining. Each of these aspects is discussed below.

##### **1. Nation-wide**

Honduras, as other countries, has distinct cultural, social, economic and political regions. Traditionally, Tegucigalpa has been the political center, while San Pedro Sula and the North Coast have been the economic hubs. Other regions of the country -- the Bay Islands, the interior -- fall outside this dichotomy and rivalry, and often outside the vision of both.

One of the four basic tenets of the Bank Strengthening Program is that it will serve all of Honduras and will assist banks and bank personnel throughout the country. Based on an analysis of the Price Waterhouse/FSDP nation-wide skills inventory carried out during December 1990 and January 1991, courses and curricula have been identified and designed and training will be offered to bank employees across Honduras.

Complementing a nation-wide training program will be an information system designed to reach all parts of the country. Through branch offices of the Central Bank of Honduras and of AHIBA, information link-ups will be established between the major cities and smaller centers. The success of the training, and information components will depend on a collaborative effort between the staffs of the Tegucigalpa and San Pedro Sula AHIBA offices. The ability to disseminate essential financial information country-wide will be possible through the upgrading of the Central Bank's library facility in

Tegucigalpa and the establishment of smaller documentation centers in San Pedro Sula, La Ceiba and Choluteca.

**2. Collaborative**

Increased collaboration at several levels will strengthen the banking sector as a whole, as well as improve the services provided by individual banks. The Project will require collaboration between the public and private banking sectors, among the commercial banks, between the Honduran banking sector and those of other countries and between the Honduran banks and USAID.

a. Collaboration Between Public and Private Banking Sectors

The planning, organization and implementation of the Bank Strengthening Project is based on a joint agreement between the Central Bank of Honduras and the commercial banks. While the principal concerns of the two sectors differ, collaboration between them has resulted in a stronger overall program than could otherwise have been. Training is the primary concern of the commercial banks while the principal focus of Central Bank interests lies in an improved library and information system. As a result of collaboration between the two sectors during the design phase of this project, a training program has been designed that will serve both. In light of the Central Bank's interest in improving its library and its information system, the program will include an information component that will improve the resources of both the public and private banking sectors.

b. Collaboration Among Commercial Banks

Collaboration among the commercial banks during the design phase of this project has resulted in a bank training program that will benefit a greater number of bank personnel and be more cost effective than individual training programs could be. The cooperative process which began during the design phase, including joint meetings to analyze the skills inventories as well as those initiating the work of the Training Committee (Comité de Capacitación), should be encouraged to continue throughout the project.

c. Collaboration Between the Honduran Banking Sector and those of Other Countries.

Like Honduras, many other countries in Latin America have experienced or are currently going through periods of structural adjustment. In terms of cross-fertilization of information, the experiences of neighboring countries provide many lessons from which Honduras could benefit. Closer relations between the banking sectors of neighboring countries as well as participation in Federación Latinoamericana de Bancos

(FEJLABAN) and the Centro de Estudios Monetarios Latinoamericanos (CEMLA) should be developed and will be beneficial to the banking sector as a whole.

d. Between Honduran Banks and USAID

USAID/Honduras has had an active role in promoting cooperation and collaboration among the banks. USAID has provided numerous consultancies to work with representatives of the banking sector on the design and conceptualization of the Bank Strengthening Project. In addition, USAID funding will help get the project underway.

**3. Multi-faceted**

The third significant aspect of the Bank Strengthening Project is that it is multi-faceted. It consists of three major technical components that are mutually reinforcing and are supported by an administrative component. The most extensive of the project's elements is the Training Component. The program has the potential to reach over 2,800 bank employees, nation-wide, at four different levels. Complementing training, is the information component which will organize and establish documentation centers and financial information systems. The technical assistance component will enable AHIBA to call on outside expertise as needed. Finally, the administrative component is structured to facilitate the institutional development of the bankers' association and the banking sector. It will also enhance the project's prospects for self-sufficiency over time. Each of these aspects is discussed in greater detail later on in this section.

**4. Self-Sustaining**

The fourth key principle of the Honduran Bank Strengthening Project is that it become self-sufficient. The A.I.D. grant, which will initiate the project, will decrease gradually over time and financial support for the project will eventually be provided entirely by the Honduran banking community.

The total projected A.I.D. contribution to this project will be US\$ 1,325,000 in declining amounts over four years. Host country national institutions will contribute a total of US\$ 1,302,000 with a breakdown of 35.36% the first year, 24.08% the second year, 25.57% the third year and 15.05% the fourth year. The two host country entities contributing to the funding of this project, AHIBA and BCH, will provide US\$ 686,000 and US\$ 616,000, respectively. AHIBA will require a special yearly quota from its per member banks for this purpose.

**Project Organizational Chart**

**C. Project Components**

**1. Training Component**

**a. Objective**

The primary objective of the training component is to improve the managerial, analytical, technical and administrative skills of the Honduran banking community. The secondary objective is to expand the client base of the banks to include small businesses. The intended result is more profitable, efficient and effective banking operations responsive to a growing and increasingly diversified private sector. An extensive and professionally managed training program will strengthen the skills required by banking personnel to meet Honduras' changing needs. As each bank is strengthened, the entire financial system in Honduras will benefit.

**b. Background and Methodology**

Over the past 18 months, Price Waterhouse has conducted several levels of training needs assessments. These have included individual consultancies as well as team efforts and have involved meetings with bank representatives throughout Honduras. Price Waterhouse held discussions with bank general managers as well as personnel managers, the AHIBA Board of Directors and General Assembly, officials from the Central Bank, trainers, representatives of training institutions and USAID staff. In order to assess needs on a national scale, and to reach as many bank employees as possible, a skills inventory was prepared, conducted, and its results analyzed. Over 2800 bank employees participated in the census. Twelve commercial banks and the Central Bank returned the completed survey, with varying degrees of responses from bank staff. Two commercial banks did not respond. Only four banks provided data from regions outside of Tegucigalpa, although data from the two largest banks in San Pedro Sula are available. These findings form the basis of the training program described herein.

The analysis of the census confirmed earlier findings from meetings with banking officials that the structures and training needs of individual banks vary considerably. Banks range in size, from approximately two-hundred to over one thousand employees. In addition, each bank has a somewhat different approach to training and to personnel development.

The data also provide some indication of areas in which employees would like additional training. This information was complemented by discussions with members of the AHIBA Executive Training Committee and heads of personnel or training within the banks.

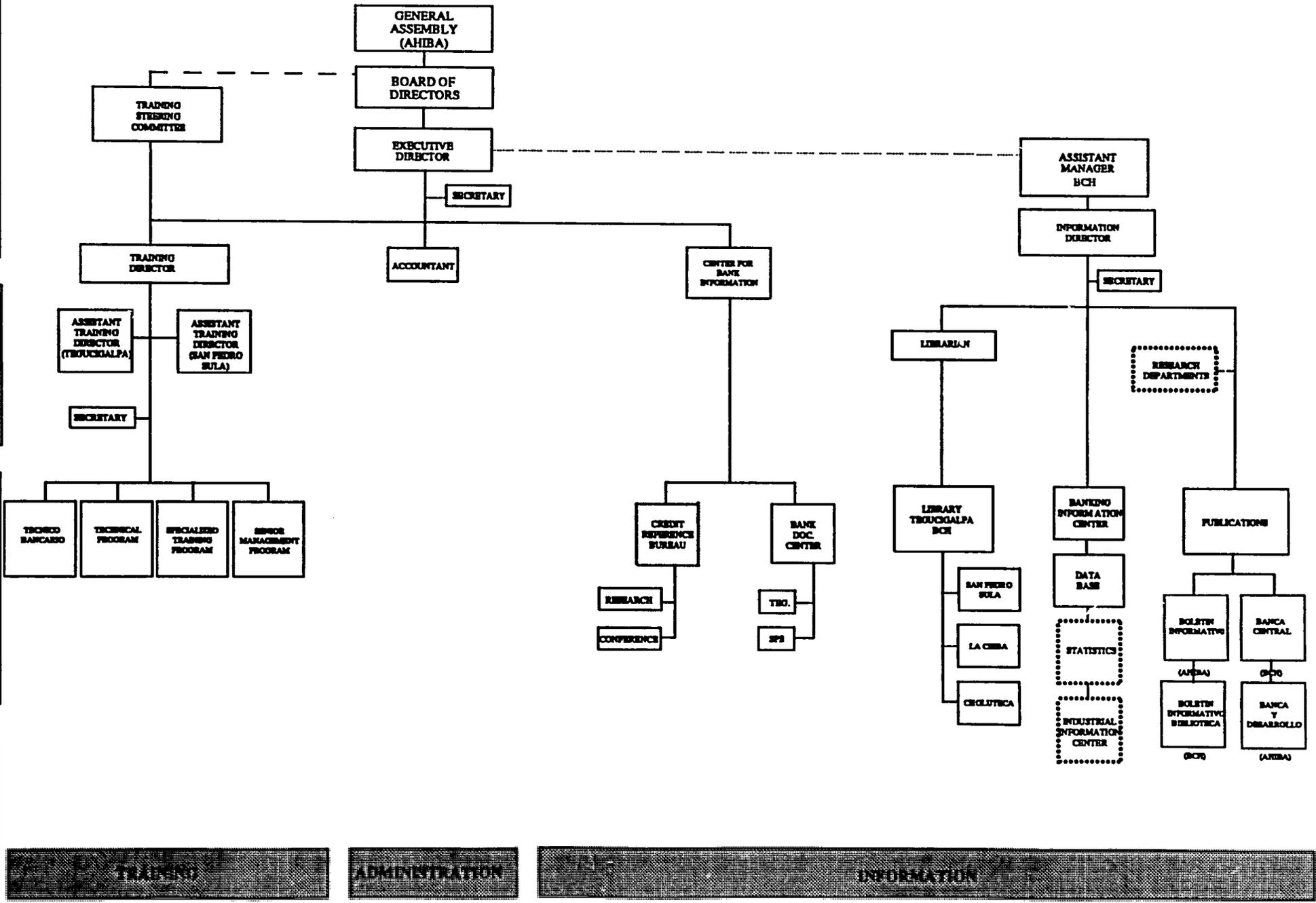
# BANK STRENGTHENING PROGRAM AID-AHIBA-BCH ORGANIZATIONAL CHART

MANAGEMENT

PERSONNEL

ACTIVITIES

COMPONENTS



BANK STRENGTHENING PROJECTS
  EXISTING BCH ACTIVITIES
  FUTURE BANK STRENGTHENING ACTIVITIES

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This section discusses the multi-level approach to training, identifies seven goals to be realized by training, the curricula required to attain those goals, and staffing and financing requirements.

### c. Approach

Based on the results of the training needs assessment, approximately 2,800 bank employees are possible candidates for bank training in all regions of the country. Of this total it is estimated that 1,300 are in San Pedro Sula, 1,150 in Tegucigalpa, and 350 in other regions. Of the total 2,800, which does not include figures from two banks, about 1,480 employees are estimated to be a critical mass in terms of bank operations. This number was derived from an analysis of the tasks they perform and includes most of the personnel directly engaged in technical bank operations. In addition there are an estimated 700 secretaries who may be included in the training program. Support personnel such as guards, messengers, cleaning staff and so forth are not included. In addition, an estimated 150 employees are eligible for training at the Central Bank.

The training program is geared to four levels of personnel which AHIBA has already identified. These include senior management program (programa gerencial), the upper and mid-level management program (programa especializado), mid-level personnel (Programa técnico), and entry-level personnel program (técnico bancario).

#### (1) Senior Management (Programa Gerencial)

Training for senior management (bank general managers, presidents, some regional managers) will expose them to the latest issues and developments affecting the banking industry, with special focus on their relevance to Honduras. The planned agenda is directed to both internal considerations such as strategic planning, loan policies, financial controls and planning, systems for loan loss reserves, as well as international issues affecting banking.

The estimated total number of eligible participants at this level is approximately 30, evenly divided among managers in Tegucigalpa and San Pedro Sula. The ultimate goal of training at this level is to enable bank managers to refine their ability to do strategic planning and to implement these plans in different areas of bank operations.

Outside expertise will be sourced to teach most of the courses at this level. Given the level and substantial experience of individuals within this group of participants, some of which have attended advanced training courses overseas, the courses should be less "teacher-student" in nature and rely more on a workshop or panel format in which ideas are discussed and debated. There may be some areas where a more classical classroom

style training may be necessary, but this training should be very "hands-on," for example using lecturesses or case studies followed by exercises which allow the participants to see the immediate connections between what is being learned and the executive decision-making process.

Because of the top managers' busy schedules, training at this level should take place for no more than one or two days at a time although exceptions can be made for extended training periods for particular topics or particular trainers. For maximum impact, approximately 3 to 4 courses should be offered each year at this level. These courses could be complemented by the conferences that would be held under the information component of the project, and by observational study tours to other countries.

(2) Upper and Mid-level Management  
(Programa Especializado)

Training at this level will give participants some of the more specialized management and technical skills that will feed into and facilitate the implementation of strategic plans prepared by upper management. Participants at this level may include some general managers, but will more likely incorporate assistant managers, area managers, heads of departments or operational divisions, or managers of large branch offices. The total number of potential participants at this level is approximately 350.

Some of the more specialized courses at this level may need to be taught by trainers from overseas. The trainers involved in courses given to senior management might also give courses at this level. For the most part, however, most of the courses given to this group could probably be taught by trainers from regional and local training institutions such as INCAE (Instituto Centroamericano de Administración de Empresas).

Suitable training methodologies would be lecturesses, small group discussions, case studies, role plays and simulations. Personnel at this level may be available for somewhat longer full-time training since some banks would allow them to be absent from work for one week. This alternative would be preferable to training offered after hours and on weekends. The first alternative would be preferable if a trainer were brought in from overseas, whereas the latter would work better if training were available locally. The difficulty and "digestibility" of the subject matter should also be considered, as some topics are better taught and assimilated over time.

(3) Mid-Level Personnel  
(Programa Técnico)

Participants at this level are those who carry out less sophisticated technical tasks in the different departments and divisions in which they work. It is estimated that

approximately 750 employees could participate at this level. The training methodology should be similar to that described for the upper and mid-level management program (programa especializado), although the training for mid-level personnel courses could be given primarily by local trainers.

**(4) Entry-Level Personnel**  
**(Técnico Bancario)**

This program is designed to expose entry level and clerical personnel to banking and to serve as a basis for understanding and mastering the more advanced technical skills required at higher levels. Approximately 1000 participants would be targeted at this level. Training methods should include lecturtes, case studies, small group discussions and exercises could be provided by local training institutions, such as UNITEC (Universidad Tecnológica Centroamericana).

In each of the levels above, the total number of participants is greater than the number of persons trained because some people attend more than one seminar. Specific courses for each of these levels are listed in Appendix B.

**(5) Central Bank Training**

In addition to the four technical areas of courses for commercial bankers described above and included in the project budget, the FSDP team reviewed possible course offerings for Central Bank personnel. Training for Central Bank personnel should be in areas that are directly relevant to setting policy or monitoring the operations of the private banking sector. Trainees should be drawn from high decision-making levels and from the Superintendencia de Bancos. Approximately 150 participants from the Central Bank could participate. Training methods should be similar to those described above at the respective levels and higher level courses may require foreign expertise.

Three courses which specifically address the concerns of the Central Bank are available through the Colorado Economics Institute.

- o **Central Bank Organization and Operations:** how a Central Bank analysis unit can best communicate decisions to operating units handling operations such as foreign exchange transactions, open market operations or rediscounting.
- o **Advanced Bank Examination:** key elements of bank examination essential for detecting actual or potential insolvencies to avert government bailouts or financial collapse. Examination of major problem areas such as refinancing of non-performing loans, accrued but uncollected interest,

failure to reveal contingent liabilities, and excessive exposure to interest and exchange rate risks.

- o **Bank Regulation and Supervision**: elements of bank regulation most conducive to avoiding insolvencies, organization and powers of bank superintendencies effective in dealing with problem banks, role of deposit insurance and other types of guarantees in avoiding bank failure.

Training at each of the levels specified above is related to seven broad goals that have been identified by the Honduran banking community. The goals are discussed in the following section and are prioritized starting with those which are most important to the banking community.

d. **Goals**

Through numerous meetings between the consulting team and Honduran bankers, seven training and organizational development goals were identified and developed. The seven goals are broad and suggest a specific curriculum for the first year of the program. As the training program progresses past year one, the set of courses selected by individual banks should reflect narrower goals, specific to each institution's organizational and strategic objectives. Furthermore, there should be linkage and continuity between the courses given at different levels. As much as possible, courses should be offered as modules that complement each other and develop knowledge in a systematic way.

At the present time, none of the AHIBA member banks has a systematic approach to training. Such an approach includes the integration of training into an organization development strategy, a training plan and the allocation of a training budget. No bank has a complete and integrated training plan, and only four banks have a specific and separate budget for training. Most seem to approach training in a very eclectic and ad hoc basis, sending people to courses advertized by local training institutions. Many banks mentioned that they were disappointed after attending the training courses. Many of the courses were perceived as too general, and failed to address the particular needs of a banking institution.

To achieve maximum impact, training should not occur in a vacuum but should be an integral part of organizational development. Training should be planned and coordinated. Training programs should set goals related to an organization's strategic plan, identify indicators that would allow the evaluation of training impact, and demand that instructors deliver courses that will enable participants to contribute towards the attainment of bank objectives.

## FINAL REPORT

The training program recommended herein suggests a curriculum for the first year of the project. The specific courses selected for subsequent years should be tied to overall management, organizational and technical goals as identified by bank managers. In order to facilitate that process, many of the courses or seminars suggested for senior management during year one relate to strategic planning. As a result of such seminars and workshops, bank presidents and managers will have the tools to identify their goals and the necessary means to attain them. The specific array of courses for years two to four and beyond should be geared toward achieving these goals and will depend upon collaborative efforts between bank managers and presidents, their human resource departments and the AHIBA Training Director.

The proposed training program is an integrated program designed to include personnel involved at all levels of bank operations, and to progressively increase the respective knowledge and skills required to move towards common goals. The goals relate to the macroeconomic environment, bank management and operations, capital market development, efficiency, management information systems, strategic planning and the regulatory environment. They are:

1. Macroeconomic Environment  
Apply an increased understanding of macroeconomic adjustments to management decision making. Draw on lessons from experiences of other countries.
2. Bank Operations  
Upgrade operations: improve skills in key areas such as treasury; portfolio management, credit policy and loan performance; international operations; asset and liability management; financial controls; and profits and losses. Measure improvement (in terms of profitability, and increased market shares) annually.
3. Capital Market Development  
Diversify banking operations: identify and offer new financial instruments. Deepen capital market development. Explore feasibility of and develop if relevant: futures markets, stock markets, swaps and options. Apply appropriate lessons from other countries.
4. Efficiency/Human Resource Development  
Increase efficiency. Identify and implement innovative and self-sufficient human resource development programs to meet institutional development needs. Measure results annually.

5. **Management Information Systems**  
Assess management information needs and apply appropriate systems and technologies. Examine how management information systems and new technologies for banking institutions can improve decision-making and performance in key areas of operations. Explore the trade-offs in adopting these systems and technologies in the banks.
6. **Strategic Plans**  
Improve management decision making: develop and implement strategic plans, identify ways to improve bank management during economic liberalization. Devise work plans to implement strategic plans, including methods to effectively communicate plans to staff members and motivate them to contribute to the realization of planned objectives. Measure improvement (in terms of profitability, increased market shares) annually.
7. **Regulatory Environment**  
Create a collaborative process between AHIBA and the Central Bank and Government of Honduras to strengthen the financial system. Identify major bottlenecks in communication; devise joint strategies to overcome these bottlenecks. Explore and apply appropriate experiences of other countries in terms of relations between commercial banks and government regulatory institutions, and the types of government programs to support the banking sector.

Implicit in each of these goals is the reality of change in the business and financial environment, and the need to adapt to change, and expand and diversify the client base, including small businesses and others traditionally with little access to the formal financial system.

e. **Training Curriculum**

The proposed curriculum and courses are designed to impart skills that will have an impact on bank performance. While the overall training program aims to achieve the seven goals outlined above, individual courses address more specific and more easily measured objectives. Training objectives for specific courses provide the means to measure the impact of training on bank operations. In the evaluation stage, a correlation between productivity, efficiency and profit gains in member institutions, in conjunction with careful tracking of the types of training banks utilize will allow evaluators to measure approximately the impact of training. Obviously, evaluators will have to consider outside factors that may also influence bank performance over which training may have little impact, or which may counteract the impact of training.

## **FINAL REPORT**

**The training curriculum described below is organized according to the seven broad goals previously described. Within each section, indicators of impact are offered. Descriptions and objectives for courses offered in year one are presented in Section f. of this chapter.**

**GOAL 1. MACROECONOMIC ENVIRONMENT**

**Apply an increased understanding of macroeconomic adjustments to management decision making. Draw on lessons from experiences of other countries.**

**Indicators of Impact:**

- o Participants demonstrate understanding of economic liberalization and structural adjustment programs through improved decision making capabilities. When applicable, positive examples of countries where these programs have been successful are adapted.

**Courses Suggested:**

**Programa Gerencial:**

- o Financial Sector Reform and Structural Adjustment: Experiences from Other Countries and Their Relevance to Honduras

**Programas Especializado, Técnico y Técnico Bancario:**

- o None

**GOAL 2      BANK OPERATIONS**

**Upgrade operations: improve skills in key areas such as treasury; portfolio management, credit policy and loan performance; financial statement analysis; international operations; asset and liability management; financial controls; and profits and losses. Measure improvement (in terms of profitability, increased market shares) annually.**

**Indicators of Impact:**

**Banks whose personnel have participated in training show progress towards the development of:**

- o Improved efficiency of treasury operations as indicated by a reduction in the amount of time required to carry them out, by the quality of information reported, and by the time it takes to report it;**
- o A more balanced and diversified loan portfolio that combines increased earnings with a spread of risk; large and small clients; improved credit policy and loan analysis, and a reduced rate of bad loans given due to inadequate analysis by bank personnel;**
- o A healthy balance between assets and liabilities, obtained, for example, through increased savings mobilization, development of new financial services and reduction of non-lucrative investments; and**
- o Better accounting and financial control, reduction of losses and costs, increased profits.**

**Courses Suggested:**

**Programa Gerencial:**

- o Impact of Structural Adjustment and Liberalization for the Management and Development of Banking Institutions in Honduras**

**Programa Especializado:**

- o Treasury Management Under Inflation and Devaluation**
- o Credit Policy and Loan Portfolio Management**
- o Advanced Project Analysis**
- o Financial Planning and Asset and Liability Management**

## **FINAL REPORT**

- o Risk and Liquidity Management
- o Planning Savings Mobilization
- o Account and Product Profitability
- o Advanced Auditing
- o Financing International Trade
- o Financial Accounting and Controls
- o Developing and Marketing New Financial Services and Products
- o Marketing Services to Small Businesses
- o Meeting the Needs of Small Business Clients

### **Programa Técnico:**

- o Credit Evaluation
- o Loan Recovery and Renegotiation
- o Introductory Project Analysis
- o Small Business Loans
- o Agricultural Loans
- o Construction Loans
- o Housing Loans
- o Trade Finance
- o Intermediate Auditing
- o Systems for International Payments
- o Cost and Expense Accounting
- o Customer Relations
- o Supervising Personnel

### **Técnico Bancario**

- o Auditing Principles
- o Credit Principles
- o Foreign Exchange Operations
- o Letters of Credit
- o Accounting Principles
- o Teller Operations
- o Business Math
- o Deposit Accounts and Services
- o Selling Financial Services

**GOAL 3. CAPITAL MARKET DEVELOPMENT**

**Deepen capital market development and diversify banking operations. Identify and offer new financial instruments. Explore feasibility of and develop if relevant: futures markets, stock markets, swaps and options. Apply appropriate lessons from other countries.**

Indicators of Impact:

- o Member banks offer new instruments and increase their earnings in capital markets transactions.

Courses Suggested:

Programa Gerencial:

- o New Financial Instruments for Development

Programa Especializado:

- o Building Effective Financial Markets
- o Securities Market Management in Emerging Economies

Programa Técnico:

- o None

Técnico Bancario

- o None

**GOAL 4. EFFICIENCY/HUMAN RESOURCE DEVELOPMENT**

**Increase efficiency. Identify and implement innovative and self-sufficient human resource development programs to meet institutional development needs. Measure results annually.**

**Indicators of Impact:**

- o Banks develop career paths and incentive systems for employees. Banks develop training plans and training budgets, and systems to track impact of training on bank performance.

**Courses Suggested:**

**Programa Gerencial**

- o Managing and Developing Human Resources in Banking

**Programa Especializado**

- o Career Paths and Incentive Systems in Banking
- o Developing an Organization through Training
- o Systems for Monitoring and Evaluating Training Impact

**Programa Técnico**

- o Career Development Workshop

**Técnico Bancario**

- o Career Development Workshop

**GOAL 5. MANAGEMENT INFORMATION SYSTEMS**

**Assess management information needs and apply appropriate systems and technologies. Examine how management information systems and new technologies for banking institutions can improve decision-making and performance in key areas of operations. Explore the trade-offs in adopting these systems and technologies in the banks.**

Indicators of Impact:

- o Banks establish management information systems that allow them to track and evaluate key performance indicators. Banks automate operations where the efficiency and gain of doing so outweighs cost. Growing numbers of bank personnel work with computer assistance.

Courses Suggested:

Programas Gerencial

- o Management Information Systems for Decision-Making
- o New Technologies for Commercial Banks

Programas Especializado

- o MIS Management
- o Auditing Automated System
- o Electronic Banking Applications

All Levels

- o Introduction to Micro-computers
- o Introduction to Spreadsheets and Accounting software

**GOAL 6. STRATEGIC PLANS**

**Improve management decision making: develop and implement strategic plans, identify ways to improve bank management during economic liberalization. Devise work plans to implement strategic plans, including methods to effectively communicate plans to staff members and motivate them to contribute to the realization of planned objectives. Measure improvement (in terms of profitability, increased market shares) annually.**

**Indicators of Impact:**

- o Strategic plans are elaborated and developed by upper management. Bank performance reflects objectives of strategic planning.

**Courses suggested:**

**Programa Gerencial:**

- o Strategic Planning and Plan Implementation for Financial Institutions

**Programa Especializado:**

- o Planning Branch Management and Division Operations
- o Strategic Planning Implementation

**Programa Técnico:**

- o Planning Work Relative to Managerial Objectives

**Técnico Bancario**

- o None

**GOAL 7. REGULATORY ENVIRONMENT**

**Create a collaborative process between AHIBA, the BCH and the Government of Honduras to strengthen the financial system. Identify major bottlenecks in communication; devise joint strategies to overcome these bottlenecks. Explore and apply appropriate experiences of other countries in terms of relations between commercial banks and government regulatory institutions, and the types of government programs to support the banking sector.**

Indicators of Impact:

- o Regular and better communication and collaboration between representatives of the banking sector and the Central Bank. Improved responsiveness of government agencies to private bank concerns and vice-versa.

Courses Suggested:

Programa Gerencial:

- o Mutual Perception Workshop
- o Government and Banking Industry Relations: International Comparisons

Programa Especializado:

- o Development and Implementation of Monetary Programs and their Impact on Local Financial Institutions
- o Central Bank Organization and Operations
- o Advanced Bank Examination
- o Bank Regulation and Supervision
- o Portfolio Classification

Programa Técnico:

- o None

Técnico Bancario

- o None

f. Suggested Training Program for Year One

The following courses are suggested for Year One. They are organized first by goal, and then by level of personnel.

**GOAL 1. MACROECONOMIC ENVIRONMENT**

Programa Gerencial

o Financial Sector Reform and Structural Adjustment: Experiences from Other Countries and Their Relevance to Honduras

Content: Overview of the most important mechanisms of structural adjustment programs, their purpose and the changes required in a country's financial system and implications for financial institutions. Concrete examples and discussion of how these adjustments have functioned in other countries, particularly in Latin America. Positive and negative experiences, and relevance of these experiences to Honduras.

Participants: General managers, presidents, Board members of commercial banks, senior managers of Central Bank having a major responsibility for setting policy.

Number of Participants Eligible for Training: 35-40

Length of Training: 1 day

**GOAL 2      BANK OPERATIONS**

**Programa Gerencial**

- o **Impact of Structural Adjustment and Liberalization for the Management and Development of Banking Institutions in Honduras**

**Content:** Examination of the concrete impact of economic adjustment, particularly the impact of devaluation and inflation, on the strategic planning and management of commercial banks operations and strategic planning. Special focus on the impact of devaluation and inflation on key areas of operation and performance including treasury; portfolio management, credit policy and loans performance; asset and liability management; international operations; risk and liquidity management; financial management and control, and profits and losses. Indicators and ratios useful for decision making. Development of preliminary strategic plans to restructure bank management and operations to respond to changing environment.

**Participants:** General managers and regional managers responsible for the overall management of commercial banks, members of the Superintendencia de Bancos.

**Number of Participants eligible for training:** 30

**Length of Training:** 8 days, could be divided into modules over time

**Programa Especializado:**

- o **Treasury Management**

**Participants:** General, regional and branch managers.

- o **Marketing Services to Small Businesses**

**Participants:** General, regional, and branch managers.

Programa Técnico

o Credit Evaluation and Analysis of Financial Statements

Content: Basic techniques needed to make profitable loans. Role of income statements, balance sheets, statements of equity and cash flow. How to recognize and analyze problems of potential borrowers. How to age receivables compute ratios and conduct analyses. The limitations of financial analysis in making a lending decision.

Participants: Credit supervisors and officers, credit analysts.

o Small Business Loans

Participants: Credit supervisors and officers, credit analysts.

Técnico Bancario

o Basic Financial Accounting

Content: How to prepare and analyze balance sheets and income statements (identifying assets, liabilities and owner's equity), open accounts in a general ledger, analyze business transactions that affect assets, liabilities and owner's equity, journalize in and post from a journal, and prepare a worksheet for a service business. This course will also cover calculation of net worth and basic accounting ratios.

Participants: Bank accountants

o Selling Financial Services/Customer Relations

Content: How to promote a bank's financial products and services at the entry level in a persuasive yet professional manner. How to inform the client on different bank services and refer them to the appropriate personnel. Topics to be discussed include the importance of product knowledge, the significance of projecting a professional image, how to gather and use clues to customer needs, and how to recognize buying signals that indicate when a customer is ready to purchase a product or service, and how to offer the service.

Participants: Tellers, Supervisors and other lower tier personnel.

**GOAL 3. CAPITAL MARKET DEVELOPMENT**

Programa Gerencial

o New Financial Instruments for Development

Content: Examine new financial instruments including debt-equity swaps and auctions, liquidity creating innovations, hedging innovations and corporate finance instruments.

Participants: General managers and regional managers.

**GOAL 4. EFFICIENCY/HUMAN RESOURCE DEVELOPMENT**

Programa Gerencial

o Managing and Developing Human Resources

Content: Examination of alternative methods of leading and inspiring personnel, and guiding the planning and professional development of human resources for a commercial bank. Participants will identify and consider innovative human resource development programs that could be implemented in banks.

Participants: General and regional managers in charge of bank personnel, heads of departments of personnel responsible for planning human resource development programs.

Number of Participants eligible for training: 20-25

Duration of Training: 1.5 days

Programa Especializado

o Career Paths and Incentive Systems in Banking

Content: Participants examine the types of career paths that can be developed in commercial banks to motivate personnel to work for advancement within the bank and remain loyal employees. Participants will learn how to communicate these paths to upper

management and employees, and develop evaluation systems to judge employees performance. Other incentive systems, such as financial reward are also considered.

**Participants:** Heads of departments of personnel responsible for planning human resource development programs.

**Number of Participants Eligible for Training:** 15-20

**Length of Training:** 2 days

o **Developing an Organization through Training**

**Content:** Determining organizational goals and training needs through different types of analyses. How to include top management in training diagnosis and gain a commitment to training.

**Participants:** Heads of Personnel, Human Resource or Training Departments.

**GOAL 5. MANAGEMENT INFORMATION SYSTEMS**

**Programa Gerencial**

o **Management Information Systems for Decision-Making in Commercial Banking**

**Content:** Overview of how management information systems can assist to determine costs and profits, account profitability, product profitability, unit costs and overhead. How to streamline reporting systems.

**Participants:** General Managers and Regional Managers, Managers of Divisions.

**Number of Participants eligible for training:** 70

**GOAL 6. STRATEGIC PLANS**

**Programa Gerencial**

- o **Strategic Planning for Financial Institutions**

**Participants:** General Managers

**GOAL 7. REGULATORY ENVIRONMENT/GOVERNMENT-COMMERCIAL BANK RELATIONS**

**Programa Gerencial**

- o **Mutual Perception Workshop**

**Content:** With the assistance of an experienced facilitator in this type of exercise, commercial and Central Bank top management identify their positive and negative perceptions of each other and major bottlenecks in communication. They then devise joint strategies to overcome these bottlenecks, collaborating to strengthen the Honduran financial system.

**Participants:** Commercial bank general managers, BCH senior management and principal advisors. Participants eligible for training: 20

**Programa Especializado**

- o **Development and Implementation of Monetary Programs and their Impact on Local Financial Institutions**

**Content:** With the guidance of an experienced macroeconomist with extensive knowledge of the impact of macroeconomic and monetary programs on banking sectors, participants will analyze the effects of different policies on the financial sector. Experiences of countries with similar conditions will be studied. The course will also look at the need to maintain open communication channels between the Central Bank (as well as any other government agency involved) and the commercial banks.

**Participants:** BCH management and Superintendency of Banks representatives.

**g. Organization and Staffing**

In order to implement the training program, both AHIBA and the member banks will dedicate additional human, technical and capital resources to the project. The accompanying Organizational Charts illustrate the human resources required by the project. As indicated on the Project's Organizational Charts, lines of authority flow from the General Assembly and AHIBA Board of Directors to the Training Steering Committee. Two sets of committees provide conceptual guidance to the training program, while implementation is carried out by AHIBA staff. This section discusses the roles of committees and staff.

**(1) Committees**

Substantive oversight for the Training component is provided by a Training Steering Committee, the Consejo Directivo de Capacitación. The Training Steering Committee represents the thinking of AHIBA leadership and is comprised of three individuals representing a cross section of the banking community. There are two commercial bank representatives - one from Tegucigalpa and one from San Pedro Sula - and the third member is from the Central Bank. In addition, one representative from USAID and one from the Universidad Nacional Autónoma de Honduras (UNAH) serve as committee observers (con voz pero sin voto). The Training Steering Committee meets twice a month, or more frequently as needed.

The Training Steering Committee is responsible for providing overall substantive guidance to the training program. The committee will approve the program workplan, supervise its execution as well as the program finances. The Training Steering Committee will also have decision making authority to prioritize and decide the sequencing of and participation in courses. The committee will also supervise the contracting of training institutions or individuals.

The Training Steering Committee will work closely with the AHIBA staff, especially the Executive Director and the Director of Training to implement the first year's program and plan for subsequent years. One of the first activities to be undertaken by the Training Steering Committee and the AHIBA senior staff will be the preparation of a detailed implementation plan for year one and the outline of plans for subsequent years.

Assuring input from each of the member banks is the Training Committee, Comité de Capacitación. There are fifteen members in the Training Committee and they are the Personnel Directors or Human Resource Directors from each of the fourteen commercial banks as well as the Central Bank, all headed by AHIBA's Training and Executive Director. The Training Committee will meet monthly to coordinate the participation of the commercial banks in the training program with the Training

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Director. The Training Committee will make recommendations for courses, scheduling and participation for approval by the Training Steering Committee. During the first year it is anticipated that the Training Committee will meet frequently and as issues arise.

The Consultative Committee, Comité Consultivo, includes representatives from local and regional training institutions. While during the first year, much of the bank training is likely to be provided by outside institutions, it is anticipated that over time, training will be provided locally.

### (2) Staff

Four staff people will be directly or indirectly working on the Training Program. They include the AHIBA Executive Director, the Training Director and two Assistant Training Directors (one in Tegucigalpa and one in San Pedro Sula). Providing overall management and quality control assurance to the program is the AHIBA Executive Director. Because he/she will have other responsibilities within the Association, his/her involvement with the Training Program will occupy approximately twenty percent of his/her time.

The Executive Director will work closely with and delegate most responsibility for the Training Program to the Training Director (Director de Capacitación). The Training Director will be responsible to planning, coordinating and implementing a nation-wide training program for banks of varying needs and training requirements. This task will involve close cooperation with the Central Bank and fourteen commercial banks (including main and branch offices) to assess needs and provide the most appropriate training to meet those needs. It will also necessitate coordination between the banks and the training institutions which are providing the courses. It will require conceptual and organizational assistance.

The Training Director will be supported by two Assistant Directors, one in Tegucigalpa and another in the San Pedro Sula AHIBA office.

### h. Financing

In order to support AHIBA's increased level of effort, the association will exact a special quota from each of its member banks. Over the life of the project this amount approximates \$US 642,510.00 or \$US 160,627.00 per year. One of the first decisions to be made by the AHIBA membership and Board upon project start-up, is the amount each particular bank will contribute and the specific services that such a contribution entails.

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One of the fundamental premises of the Bank Strengthening Program is that it become self-sustaining. Self-sufficiency must be defined both in terms of money and people required to carry out needed training programs. Although most of the AHIBA member banks do not have highly organized training programs, and their training programs are modest relative to organizational development needs, these programs are currently self-sufficient. At the end of the project they should also be self-sufficient, but at a more sophisticated level. Such sophistication should encompass both the planning of training, and the number and types of training courses relevant to bank needs that are delivered by Hondurans.

One reason why current bank training programs are self-sufficient is because banks spend very little on the training of their personnel. Of the banks interviewed, only three said they had a yearly training plan and a separate training budget. Of these three banks, the average amounts spent per employee for training ranged from \$13 to \$99 dollars per year. These figures should be interpreted cautiously because they may not be representative if large amounts have been spent for executive training. In this case, the amounts available for lower-level employees would be even less. The figures may also be skewed by the inclusion of all bank employees in the calculations, which include guards, cleaning people, and other support personnel.

The significance of these figures becomes apparent when they are compared to what this amount of expenditure will buy in the training market. Data on how many courses per year employees actually attended were not available, but at current market rates for courses in Honduras which range from 500 Lps (US \$94) for secretarial courses to around 3000 Lps (US \$566) for more technical courses, the amount currently spent by the bank that allocates the most money for employee training barely allows for one course per employee per year at the cheapest rate available locally. Training given by bank staff is "free" in terms of actual expenditure, and many banks use their staff members to give training to others. But there is an opportunity cost of removing the employee from his/her normal duties to provide this training. No bank has full-time employees dedicated solely to training activities.

AHIBA banks range from approximately 200 to over 1000 employees. Table 1 estimates the total amount that banks of varying workforce size need to spend per year to give each employee one course per year at the cheapest and most expensive rates available on the local market.

**Table 1 -- Estimate of training budgets required for one local course per employee per year for varying workforce sizes**

<b>Number of employees</b>	<b>US\$ budget for one 500 Lps course per employee per year</b>	<b>US\$ budget for one 3000 Lps course per employee per year</b>
100	9,400	56,600
200	18,800	113,200
300	28,200	169,800
400	37,600	226,400
500	47,000	283,000
600	56,400	339,600
700	65,800	396,200
800	75,200	452,800
900	84,600	509,400
1000	94,000	566,000

Given these figures, to become self-sufficient at higher levels of sophistication, banks must find innovative ways to reduce training costs while maximizing training impact. The suggested approach to achieve this goal is comprised of seven major elements.

- 1) **Train individuals of the banks' Personnel or Human Resource Departments to carry out training needs assessments for their banks.**
- 2) **Train these same individuals to determine priority courses in terms of organizational goals, and set up budgets. Select those courses which are best carried out or financed individually by each bank. These would include courses dealing with internal procedures or subject matter the banks consider more sensitive to their competitive position.**
- 3) **Through a committee comprised of members of the Training Steering Committee (Consejo Directivo de Capacitación) and**

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members of the Personnel or Human Resource Departments of the various banks, identify courses that can be best carried out or financed by AHIBA, and that would be available to the staff of all the member banks contributing to the training fund.

- 4) Identify a cadre of 10-15 individuals within the banks that could serve as trainers in different areas of expertise. These individuals should have specialized technical skills and an aptitude for and interest in training. Some banks may even want to create permanent full-time positions for trainers who would develop courses and training materials, and carry out training.
- 5) Invest in providing additional training to these promising individuals, initially through a high calibre training of trainers course in Honduras, and by allowing them to observe and participate in training courses financed by the project and delivered by overseas trainers. Later, send these individuals for two- to six-week overseas courses in highly specialized areas of banking that would be of interest to AHIBA members. Prior to receiving training, these individuals should sign a service contract to deliver training to AHIBA for a specific length of time, or be liable for the cost of training.
- 6) Upon return, these individuals should design and deliver courses in their areas of expertise that meet the needs of AHIBA members. These courses could be open to outsiders, providing AHIBA with a source of revenues. Trainers would also develop training materials that could be sold to outsiders for a profit.
- 7) Establish a mechanism to evaluate the impact of training, and to target training on areas that have a direct impact on performance and profits. In addition, have Heads of Personnel or of Training collaborate with the AHIBA Training Director to do needs assessments and planning for courses done in common.

Following a presentation of the budget requirements of the Training Program, the next section offers a description of the Information Component.

## BANK STRENGTHENING PROJECT

<b>TRAINING COMPONENT</b>					
<b>Project Inputs</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>TOTAL (Yrs. 1-4)</b>
<b>Staff Salaries</b>	\$31,070	\$32,518	\$34,580	\$35,490	\$133,658
<b>Equipment &amp; Materials</b>	\$31,400	\$2,000	\$3,000	\$500	\$36,900
<b>Other Direct Cost</b>	\$4,000	\$4,400	\$4,962	\$4,950	\$18,312
<b>Training</b>	\$272,630	\$288,582	\$330,900	\$244,018	\$1,136,130
<b>TOTAL FUNDING</b>	\$339,100	\$327,500	\$373,442	\$284,958	\$1,325,000

*4/16*

PROYECTO DE FORTALECIMIENTO BANCARIO

COMPONENTE CAPACITACION

AÑO UNO (1)

(U.S.\$)

LINE ITEMS	AID	AHIBA	BCH	TOTAL
<b>1. SALARIOS DEL PERSONAL</b>	<b>0</b>	<b>31,070</b>	<b>0</b>	<b>31,070</b>
Secretario Ejecutivo (15%)		2,000		
Director de Capacitación 1		13,220		
Asistente de Capacitación 2		15,850		
<b>2. EQUIPO Y MATERIALES</b>	<b>15,800</b>	<b>2,000</b>	<b>13,600</b>	<b>31,400</b>
Computer/Printer	10,000		10,000	
Computer/Software	1,800		3,600	
Equipo de Oficina		1,500		
Materiales de Oficina		500		
Capacitación en uso de equipo	4,000			
<b>3. OTROS COSTOS DIRECTOS</b>	<b>0</b>	<b>4,000</b>	<b>0</b>	<b>4,000</b>
Comunicaciones		2,000		
Viáticos (Travel Airfare)		800		
Gastos de Viaje (Travel Perdiem)		1,200		
<b>4. CAPACITACION</b>	<b>159,200</b>	<b>75,430</b>	<b>38,000</b>	<b>272,630</b>
Programa Gerencial 1	35,000	17,000		
Programa Especializado 4	20,000	14,400	18,000	
Programa Técnico 4	60,200	26,000		
Técnico Bancario 4	40,400	18,030	20,000	
<b>TOTAL FONDOS</b>	<b>175,000</b>	<b>112,500</b>	<b>51,600</b>	<b>339,100</b>

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PROYECTO DE FORTALECIMIENTO BANCARIO

COMPONENTE CAPACITACION

AÑO DOS (U.S.\$)

LINE ITEMS	AID	AHIBA	BHC	TOTAL
<b>1. SALARIOS DEL PERSONAL</b>	<b>0</b>	<b>32,518</b>	<b>0</b>	<b>32,518</b>
Secretario Ejecutivo (15%)	0	2,000		
Director de Capacitación 1		13,868		
Asistente de Capacitación 2		16,650		
<b>2. EQUIPO Y MATERIALES</b>		<b>2,000</b>	<b>0</b>	<b>2,000</b>
Computer/Printed				
Computer/Software				
Equipo de Oficina		1,000		
Materiales de Oficina		1,000		
Capacitación en Uso de Equipo				
<b>3. OTROS GASTOS DIRECTOS</b>		<b>4,400</b>	<b>0</b>	<b>4,400</b>
Comunicaciones		2,000		
Viáticos (Travel Airfare)		900		
Gastos de Viaje (Travel Per diem)		1,500		
<b>4. CAPACITACION</b>	<b>175,000</b>	<b>73,582</b>	<b>40,000</b>	<b>288,582</b>
Programa Gerencial 2	35,000	17,500		
Programa Especializado 4	22,400	14,400		
Programa Técnico 4	79,600	17,582		
Técnico Bancario 4	38,000	24,100		
<b>TOTAL FONDOS</b>	<b>175,000</b>	<b>112,500</b>	<b>40,000</b>	<b>327,500</b>

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PROYECTO DE FORTALECIMIENTO BANCARIO

COMPONENTE CAPACITACION

AÑO TRES (U.S.\$)

LINE ITEMS	AID	AHIBA	BHC	TOTAL
<b>1. SALARIOS DEL PERSONAL</b>	<b>0</b>	<b>34,580</b>	<b>0</b>	<b>34,580</b>
Secretario Ejecutivo (15%)	0	2,700		
Director de Capacitación 1		14,390		
Asistente de Capacitación 2		17,490		
<b>2. EQUIPO Y MATERIALES</b>	<b>1,000</b>	<b>2,000</b>		<b>3,000</b>
Computer/Printed				
Computer/Software	1,000	1,500	0	
Equipo de Oficina		500		
Materiales de Oficina		1,000		
Capacitación en Uso de Equipo				
<b>3. OTROS GASTOS DIRECTOS</b>		<b>4,962</b>	<b>0</b>	<b>4,962</b>
Comunicaciones		2,512		
Viáticos (Travel Airfare)		950		
Gastos de Viaje (Travel Per diem)		1,500		
<b>4. CAPACITACION</b>	<b>175,000</b>	<b>112,500</b>	<b>43,400</b>	<b>330,900</b>
Programa Gerencial 2	40,000	22,500		
Programa Especializado 4	25,000	15,000		
Programa Técnico 4	60,000	50,000		
Técnico Bancario 4	50,000	25,000	43,400	
<b>TOTAL FONDOS</b>	<b>176,000</b>	<b>154,042</b>	<b>43,400</b>	<b>373,442</b>

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PROYECTO DE FORTALECIMIENTO BANCARIO

COMPONENTE CAPACITACION

AÑO CUATRO (U.S.\$)

LINE ITEMS	AID	AHIBA	BHC	TOTAL
1. SALARIOS DEL PERSONAL	0	35,490	0	35,490
Secretario Ejecutivo (15%)	0	3,000		
Director de Capacitación 1		14,528		
Asistente de Capacitación 2		17,962		
2. EQUIPO Y MATERIALES		500		500
Computer/Printed				
Computer/Software				
Equipo de Oficina				
Materiales de Oficina		500		
Capacitación en Uso de Equipo				
3. OTROS GASTOS DIRECTOS		4,950	0	4,950
Comunicaciones		2,500		
Viáticos (Travel Airfare)		950		
Gastos de Viaje (Travel Per diem)		1,500		
4. CAPACITACION	174,000	30,018	40,000	244,018
Programa Gerencial 2	40,000	22,500		
Programa Especializado	25,000	7,518		
Programa Técnico	60,000			
Técnico Bancario	48,000		40,000	
TOTAL FONDOS	174,000	70,958	40,000	284,958

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ASOCIACION HONDURENA DE INSTITUCIONES BANCARIAS

PROYECTO FORTALECIMIENTO BANCARIO A.I.D.-AHIBA-BCH

COMPONENTE CAPACITACION

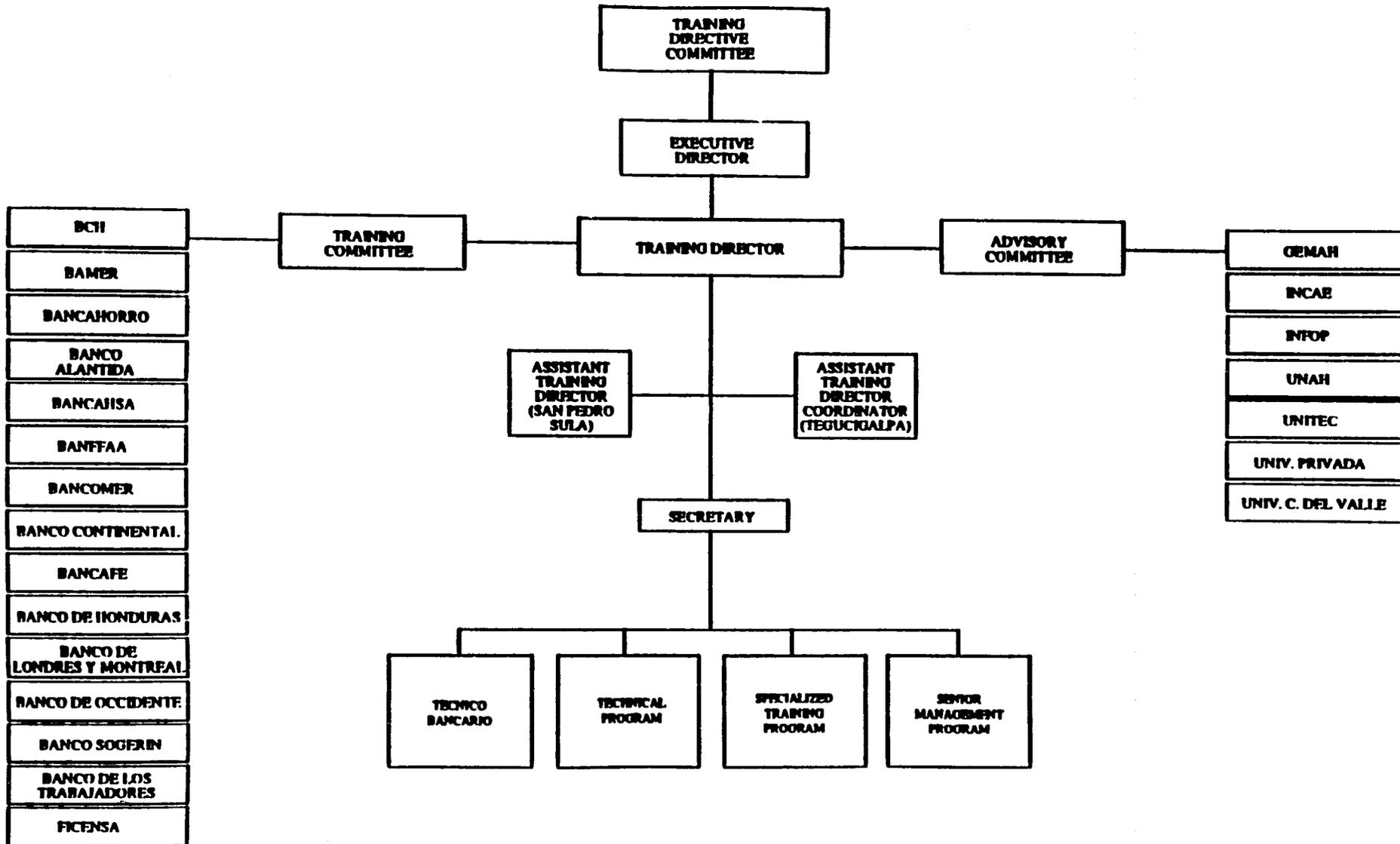
Cost Promedio por Curso (US\$)

NIVEL	COSTOS AID	COSTOS AHIBA	NUMERO DE CURSOS
<u>ANO 1</u>			
Programa Alta Gerencia	22,400	17,330	3
Programa Especializado	18,000	13,100	4
Programa Technico	3,000	4,000	22
Technico Bancario	3,500	3,900	20
TOTAL			49
<u>ANO 2</u>			
Programa Alta Gerencia	19,080	17,330	3
Programa Especializado	11,360	13,100	3
Programa Technico	7,120	4,500	22
Technico Bancario	3,620	4,100	24
TOTAL			52
<u>ANO 3</u>			
Programa Alta Gerencia	20,225	17,330	4
Programa Especializado	13,600	13,100	3
Programa Technico	10,850	4,500	25
Technico Bancario	3,950	4,700	25
TOTAL			57
<u>ANO 4</u>			
Programa Alta Gerencia	21,438	17,300	4
Programa Especializado	13,600	10,850	3
Programa Technico	10,850	4,500	14
Technico Bancario	3,950	4,400	20
TOTAL			41
TOTAL CURSOS			199

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**Training Component Organizational Chart**

# TRAINING COMPONENT



ASA

## 2. Information Component

### a. Objective

Complementing the Bank Strengthening Project's Training Component are the activities of the Information Component. The purpose of the Information Component is the acquisition, organization and provision of information. The Information Program consists of four activities, described below in order of magnitude and priority. The elements are:

- o Library and information systems related to banking,
- o Bank publications,
- o Research, and
- o Credit Reference Bureau.

### b. Activities

#### (1) Library and Information Systems

One of the principal constraints facing the banking sector is a severe dearth of accurate and timely financial and banking sector information. The Bank Strengthening Project aims to overcome this constraint by organizing the holdings of the Central Bank Library in Tegucigalpa, establishing small branches of the Central Bank library in secondary cities, setting up a Bank Information Center and creating a Bank Documentation Center at AHIBA. Each of these activities will be discussed in turn.

The Central Bank will establish an Information Unit which will include the Library System, Publications and a Banking Information Center. Overall management of the Unit will be provided by an Information Director who will report directly to the Assistant General Manager of the Central Bank.

#### Central Bank Library System

Within the Information Component, the most extensive area of activity will be the organization and establishment of a professional library system. This will include classifying and organizing the holdings already existing at the Central Bank as well as establishing smaller library branches in other cities. A Senior Librarian will be hired to manage the library network and several assistant librarians will be hired to work in the main and branch libraries.

The Central Bank envisions a specialized library system, or network, in banking and finance that will have up-to-date holdings, with emphasis on reference works and serial

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publications, under full bibliographical control. The seat of this system will be the existing, currently unorganized, library at the Central Bank in Tegucigalpa. Other proposed facilities would be located in the Bank's branch offices in San Pedro Sula, La Ceiba and Choluteca.

At the present time, the Library of the Central Bank is part of the Department of Economic Research. Its holdings are completely unclassified and uncatalogued. The Library contains at least 15,000 books and pamphlets of substantial size, approximately 500 bound volumes of serial publications, and over a thousand unbound publications.

Several books are in other departments of the Bank; the Bank's library in San Pedro Sula is also unorganized, its holdings are approximately 300 books on banking topics, a set of the Spanish encyclopedia (Espasa-Calpe), and a valuable collection of the works published by the Bank before 1980. These are not all together in one collection.

Efforts to control and improve this library and its proposed branches should be based upon technical organization and control of its holdings, acquisition of needed resources both bibliographical and physical, and selection of an adequate number of well-trained and experienced employees. The present physical facilities are too small to serve as a library for even the existing collection. The Bank plans to move the Library to a new and larger location, which must be well planned and conditioned.

In order to reduce operational costs, the holdings of all Central Bank branches and the Banking Documentation Center located at AHIBA should be linked via a telecommunications network. Computer terminals, printers and facsimile machines will enable documents to be provided upon request. Such a system would eliminate the need for card catalogues at branch locations.

The Bank Strengthening project proposes the following:

- o Design, furnish and equip the new Library with a reading area for at least forty persons; an office for the librarian and the assistant librarian; a closed section for technical processing work; and an area for up to 40,000 books and serial publications.
- o Set-up the reference collection in the reading area.
- o Select cataloging and classification systems to place the existing collection under bibliographical control. A classified catalog is recommended.
- o Organize a general reference collection with emphasis on banking, finance and economic topics.

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- o Organize a serials collection to include the indexing of the principal articles contained in these publications.
- o Organize the Central Bank's Library at San Pedro Sula, emphasizing a specialized reference collection in banking and finance and a periodicals collection of the major journals which support the Bank's activities.
- o Establish specialized small libraries in the Bank's facilities in La Ceiba and Choluteca. Given the lack of good public library resources in La Ceiba and Choluteca, these two libraries should be more oriented towards the public than those in Tegucigalpa and San Pedro Sula. Attachment H contains the Suggested Library Implementation Plan.

### - AHIBA Documentation Center

Linked to the Central Bank Library system, but separately managed will be the AHIBA Banking Documentation Center which will serve the information needs of AHIBA and support the Bank Training Program. At the present time there are two small AHIBA libraries, one at the AHIBA offices in Tegucigalpa and another in San Pedro Sula. The primary Documentation Center, located in Tegucigalpa, needs to be further developed, expanded, and organized.

Since the Central Bank's library system is to be shared with the AHIBA membership, the AHIBA Documentation Center should avoid unnecessary duplication of books and serials held in the Central Bank's facility. As the Documentation Center is organized, emphasis should be placed on 1) the establishment of a basic reference collection on banking and finance, 2) the acquisition of materials to support the Training Program, and 3) the acquisition of relevant information on trends and tendencies in international and Honduran banking and finance.

### Data Bank

A.I.D. will provide AHIBA with technical assistance to establish a data bank of aggregated statistics on the financial system. The data bank will be fed by the Superintendency of Banks and the member banks. The financial data bank will be a small but important activity which will provide bank treasurers and managers with current information for business decisions. AHIBA will operate the data bank with its own microcomputer equipment and staff.

**(2) Publications**

Complementing Library and Information activities, is the second major element of the Information Component: the proposed publications program which will build on existing efforts and initiate new volumes. The activities of the Publications Program will be the responsibility of the Central Bank's Director of Information. He/she will oversee Central Bank publications and will work with AHIBA on the production of serials and reports.

The Central Bank issues, or has issued a monthly Statistical Bulletin, Monthly Bulletin, Quarterly Magazine, Honduras in Figures, Annual Report and National Accounts. An occasional technical book is also published by the Bank.

Looking toward the future, the Central Bank and AHIBA plan to produce the following new publications: Central Bank Magazine, Banking and Development Magazine, and AHIBA Monthly Bulletin and Informative Library Summary. The two magazines will provide information about economic and social conditions at both the national and the international levels. The former will be oriented to the Central Bank and the latter to the private commercial banking sector. The bulletin will be a research journal about financial and economic matters and will also contain material designed to strengthen the training program.

Although the general scope for each serial has been established, further definition is still needed before the final "production" can be determined. The proposed Publications Program will need to establish an editorial advisory committee to provide guidance and assure quality. Such a committee should be established as soon as possible.

Hiring a full-time editor might not be necessary during the initial stages of the program since there are personnel within the Central Bank who are qualified to edit the new serials and prepare other works and monographs. The services of an editor could be contracted on an as needed basis and which would result in considerable savings.

A survey should be conducted and a list compiled of appropriate public libraries, governmental libraries, banking institution libraries and educational institution libraries world-wide which could receive exchange of publication copies of these documents (both existing and proposed). Others could be sold on a subscription basis in order to recover some production costs.

Production of these documents will be carried out by the Central Bank's fully equipped and modern type-setting, printing and binding department. In addition, a desk top publisher computer, such as a Macintosh, and accompanying printer are recommended to facilitate publication.

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In order to assure well-edited and impressive publications, much planning is needed. Rushing into a highly ambitious program could be counterproductive.

The Publications Component will operate as follows:

- o Create a voluntary editorial advisory committee to decide the acceptance of articles and participate in the design of the envisioned serials.
- o Dedicate much of year one to planning and conceptual editing with the goal of publishing inaugural numbers by the end of the first year and producing a second edition in year two.
- o Publish an Information and New Acquisitions Bulletin.
- o Establish an exchange of publications arrangement with other institutions with similar interests.
- o Revive the Central Bank's policy (until the 1980s) of publishing works of current and historical importance to Honduras, especially in the areas of money, banking, finance and economics.

### (3) Research

Closely related to library and publication efforts is research. The Bank Strengthening Project will draw on existing research presently being carried out by the Central Bank. Due to budgetary constraints, the amount of research supported outside those auspices will be relatively small. This section discusses the research efforts of the Central Bank and proposes areas for possible research to be considered by AHIBA should funding become available.

#### Central Bank

At the Central Bank, research is currently carried out by the Department of Economic Studies. One of the products of such efforts is the Boletín Estadístico. The research activities of the Central Bank should be conducted in close collaboration with the library activities so that the two efforts are mutually supportive. Both proposed committees (library and publications) should have as their principal functions the close collaboration with those who are directly involved in the Bank's research work. The publications component will remain responsible for the physical production and distribution of future numbers of existing serial publications and other future monographs. There is no reason why the established mechanisms and procedures for their conceptual production should be changed.

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In addition to the Department of Economic Studies, research at the Central Bank is also carried out by the Center for Industrial Studies. This unit has its own library and publications, however, due to legalities involved in the establishment of the Center, it cannot be incorporated into the Bank Strengthening Project. Nevertheless, the existing holdings and all future acquisitions of the Center can and should become a part of the proposed computerized catalog of the library system network. A clear set of procedures needs to be established to ensure that copies of the Center's publications are sent to the Library on a regular basis.

### AHIBA

Over the course of several consultancies, several research topics were identified for possible examination. Research or position papers could be prepared by outside consultants or through the efforts of the AHIBA permanent and ad hoc committees on the following topics:

- o New Financial Instruments
- o Interest Rates
- o Reserve requirements
- o Bank Law
- o Commercial Code
- o Accounting standards and definitions
- o Commercial Banking and Stock Market Development

As a means of communicating the findings of such research, AHIBA could conduct seminars and small conferences for their presentation, review and debate.

#### (4) Credit Reference Facility

The fourth activity planned for the Information Component is the establishment of a future Credit Reference Facility. Unlike the activities cited above, this effort will likely be located outside the Central Bank and most probably be established at AHIBA.

In the absence of a competent and reliable credit information exchange office in Honduras, a credit reference facility is a vital service which AHIBA could provide. This credit reference facility would include notations of individuals or companies who have failed to manage their deposit account responsibilities as agreed, therefore causing the accounts to be closed, also a listing of individuals or companies who failed to comply with loan agreements, principally for reasons of non-payment could be included. The individual member banks will submit to the Credit Facility the names of clients who are in arrears on current loans. The Superintendency of Banks will also provide the Credit facility with information regarding related party transactions.

AHIBA should charge a small fee for its credit reports, in order to help offset the costs of the service. If, at some time in the future, a private institution wishes to establish such a service and has demonstrated an appropriate degree of experience and proficiency, the association may wish to sell this part of its information function. On the other hand, maintenance of sensitive credit information may be more efficiently administered by AHIBA than by a private company.

### c. Staffing

Most of the staffing for the Information Component will be at the Central Bank. Providing overall coordination and direction to the component will be the Director of Information, who would head up the newly-created Information Department and report directly to the Central Bank's Assistant Manager. The Information Unit would comprise two principal sections: 1) Library and documentation services and 2) Publication Services. The overall organizational chart for the Bank Strengthening Project illustrates these elements.

The Information Unit should be administered by an experienced professional with a background in both librarianship and editing and publishing. In addition to organizing and managing the main Library in Tegucigalpa, this person would have to coordinate the branch library in San Pedro Sula, the proposed branches in La Ceiba and Choluteca, the proposed Banking Information Center at the Central Bank and he/she would have to collaborate in the administration of the Banking Documentation Center of AHIBA.

Other staffing recommendations are to:

- o train existing staff or hire two experienced assistant librarians for the Central Bank Library in Tegucigalpa.
- o train existing staff or hire one experienced assistant librarian to manage the Central Bank's library in San Pedro Sula.
- o hire two assistant librarians (future) for the proposed Central Bank branches in La Ceiba and Choluteca.
- o train existing staff or hire one microcomputer specialist to establish and coordinate the information network.
- o assign one bilingual secretary for the information unit at the Central Bank in Tegucigalpa.

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- o assign one clerical assistant with library experience for the main library in Tegucigalpa and train in library procedures.**
- o assign qualified existing employees of the Central Bank to assist with the editing of the proposed publications (rather than hiring a full-time editor).**
- o contract editors on an as needed basis.**
- o employ an experienced typesetter.**
- o employ a talented graphics artist.**
- o provide opportunities for advancement and growth among the personnel working in the information unit.**

### **d. Travel**

**The Honduras Bank Strengthening Project proposes to:**

- o provide travel for the Director of the Central Bank Information Unit and for the Librarian of the Central Bank to the U.S. Library of Congress and other libraries renowned for banking and finance collections. The purpose of such trip(s) would be to establish cooperative agreements, and to obtain up-to-date knowledge and information services on banking, finance, and economics.**
- o provide two short (three day) trips for up to three individuals to observe and study the information-documentation and library services of the Central Banks of Guatemala and Panama.**
- o provide funding for one person to travel monthly to San Pedro Sula, La Ceiba and Choluteca to coordinate and supervise the libraries of those cities.**

## BANK STRENGTHENING PROJECT

INFORMATION COMPONENT				
INPUTS	A.I.D.	AHIBA	BCH	TOTAL
<b>Research</b>				
Financial Library		\$250,000	\$300,000	\$550,000
Periodicals	\$50,000	\$25,000	\$25,000	\$100,000
Data Base MIS	\$25,000	\$25,000		\$50,000
Data Base T.A.	\$25,000	\$25,000		\$50,000
Credit Bureau	\$50,000	\$50,000		\$100,000
<b>Dissemination</b>	\$50,000	\$75,000	\$100,000	\$225,000
Publications				
<b>TOTAL</b>	<b>\$200,000</b>	<b>\$450,000</b>	<b>\$425,000</b>	<b>\$1,075,000</b>

SPW

**3. Project Administration Component**

The third major project component is that of Project Administration. Activities under this area include the overall management and operation of the Bank Strengthening Program.

The Executive Director of AHIBA will have overall responsibility for the management of the Bank Strengthening Project, as well as other responsibilities that fall outside this funded activity. The Executive Director will dedicate approximately 45% of his/her time to the Bank Strengthening Project attending to overall administration (20%), Training (15%) and Information (10%). He/she will be assisted by a secretary and an accountant.

Under the supervision of the Executive Director, the accountant will be responsible for the financial management of the Bank Strengthening Project funds. This includes contractual arrangements with training institutions and seminar-related logistical expenses, management of training fee income, payroll and other financial matters related to the Bank Strengthening Project. The accountant will also be responsible for providing monthly, quarterly and annual reports on the financial status of the project. The budget for this component follows.

## BANK STRENGTHENING PROJECT

### ADMINISTRATIVE COMPONENT

INPUT	A.I.D.	AHIBA	BLH	TOTAL
Training for Base Line T.A.	\$50,000	\$30,000	\$10,000	\$90,000
Evaluation	\$75,000	\$1,000	\$1,000	\$77,000
Audit	\$50,000	\$5,000	\$5,000	\$60,000
<b>TOTAL</b>	<b>\$175,000</b>	<b>\$36,000</b>	<b>\$16,000</b>	<b>\$227,000</b>

*Ha*

#### **4. Technical Assistance Services Component**

The fourth major project component is that of technical assistance services. The Bank Strengthening Project is a major, multidisciplinary and complex program of activity. The Project is designed to be a four year, US\$ 2.6 million activity. It comprises training, library services and publications among its major efforts. It is designed to serve the needs of the Central Bank and fourteen commercial banks, including main and branch offices throughout Honduras, and to reach a potential clientele of over 2,800 people. Clearly, this will not be a easy project to implement.

Technical assistance will be very much needed, especially during the start-up phases of the project. AHIBA and the Central Bank will need assistance in the preparation of strategic, implementation and work plans, and in the start-up of training, library and publications activities.

AHIBA has made a significant effort over the past 18 months to grow from a relatively small and weak organization to one that is viable and representative of the banking sector. While these efforts are to be applauded, the institution remains very weak: it lacks strong leadership and staffing is incomplete. While staff members have recently been hired, several positions remain to be filled. In short, the full staff is not yet on board, and those who have been recently hired are new to their jobs.

##### Overall Start-Up

AHIBA and its member banks will need technical assistance in getting the program started. This will include:

- o preparing strategic and implementation/work plans in detailed format for year one and in broader terms for subsequent years;
- o outlining relationships between the various project components (training, library, publications) both within AHIBA and between the association and the Central Bank;
- o determining each bank 's quota to the project and defining what is and is not covered by that contribution;
- o defining roles and responsibilities of AHIBA staff members;

##### Regarding the Training Component:

- o defining roles and responsibilities of the various training committees;

## **FINAL REPORT**

- o specifying the relationships between the committees and the staff, and their respective responsibilities for training;**
- o establishing training priorities for year one; identifying specific courses, selecting and contracting appropriate institutions, designating student participation;**
- o standardizing procedures for communicating with the banks' human resource personnel in both the main and branch offices;**
- o establishing procedures for contracting training institutions to provide courses, including scheduling of courses and preparation of the documentation needed, such as scopes of work, financial arrangements, payments procedures, materials, etc.;**
- o handling logistics, such as selecting training sites, arranging meals, lodging and transportation.**

### **Regarding the Information Component**

- o defining content and broad outlines of the information component;**
- o defining roles and responsibilities of expanded staff;**
- o specifying the relationships between and the responsibilities of the committees and the staff responsible for the publications program;**
- o establishing priorities for year one, create a strategic and work plan that is comprehensive and includes plans for the organization and/or start up of the various libraries, and outlines the priorities, plans, conceptual bases, sequencing, budgeting etc. of the publications program;**
- o standardizing procedures for communicating among the various libraries and information centers.**

**Over the course of the project, technical assistance will also provide financial reviews/audits and project mid-term and final evaluations.**

#### **IV. CONCLUSION**

The Bank Strengthening Program is designed to aid the Honduran Banking sector in the process of adapting to macroeconomic and regulatory changes currently taking place in Honduras. The project's main focus is to reinforce technical, analytical, managerial and administrative capabilities and to facilitate a dependable exchange of essential information through the financial system.

The project will better equip Honduran bankers to adapt to and succeed in a rapidly changing global, regional, and domestic environment. An important consequence of a stronger and more responsive banking sector will be its positive impact on the private sector. As banks seek to increase and diversify their client base, and begin to substantiate loan agreements on the basis of financial soundness (and not exclusively on collateral requirements) benefits will accrue to both the banks and to their new clients, especially small business heretofore excluded from the financial system. The program requires close collaboration between A.I.D., AHIBA, and BCH in order to implement it as a nationwide, multi-faceted and self-sustaining project. Keeping in mind its mission to protect the interests and improve the performance of the banking community, AHIBA will work closely with the Central Bank to implement the four components of this project: Training, Information, Technical Assistance and Administration.

The Training Component has been designed in an integrated manner which encompasses training of participants at four different professional levels while working towards attaining seven pre-determined organizational goals. While the program is primarily oriented toward meeting the needs of the commercial banks, some of the recommended courses are appropriate for Central Bank personnel.

The Information Component consists of several libraries, a banking information system and a publications program. The libraries will be located in four different cities and will be linked to the banking information centers via a computer network which will ensure an efficient and quick flow of information. The publications will cover topics related to commercial and central banking, and they will be written by members of the banking community. Other activities under the Information Component will be the Credit Reference Facility, Research Activities and Conferences.

The Technical Assistance Services Component of the Bank Strengthening Project will focus initially on project start-up activities. It will address issues such as the delineation of strategic and implementation plans, the establishment of training priorities and contracting procedures, the definition of roles and responsibilities for various committees and standardization of project procedures.

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**The Administration Component** comprises the overall management and operations of the Bank Strengthening Project. Activities include financial management, reporting systems, contractual arrangements, general supervision, strategic plan implementation, project evaluations and audits.

In addition to its involvement in the four project components, AHIBA will actively contribute to the continuous process of analyzing critical and relevant issues affecting the banking sector through the formation of committees. These committees will seek solutions to, or provide documentation concerning problems which affect the financial and banking community. Committees will also cover issues which are an integral part of the Bank Strengthening Project, such as training and research priorities.

Funding for this project consists of an A.I.D. grant and a host-country contribution. The project budgeting structure has been designed to ensure the utilization of the A.I.D. contribution during the initial stages of this project. As the project progresses and develops the host-country contribution will be increasingly utilized. The objective of this funding pattern is to have a financially independent project by the fifth year of operation; membership quotas, bank contributions and training fee income should sustain the project financially after the fourth year.

The Bank Strengthening Project will not only revitalize the Honduran banking community, but also build the community's abilities to improve its performance. In this sense, the Project will meet the demand of the banking community in a more efficient way while simultaneously protecting its own interests.

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**APPENDIX A**

**Scope of Work**

5/11

MEMORANDUM

DATE: November 21, 1990

TO: Sandra Frydman, AID/APRE/EM  
Barbara Friday, Price Waterhouse Washington

FROM: Guillermo Bolaños, USAID/Honduras, O/PSP *W Bolaños*

THROUGH: Raese Moyers, USAID/Honduras, O/PSP *R Moyers*

SUBJECT: Development of AHIBA and its Training Program.  
Technical Assistance Task Order, Component 2.0

REFERENCE: USAID/Honduras' buy-in to Financial Sector Development Project.

The scope of work for the subject technical assistance to Honduras, as attached, is approved.

The budgets for the technical assistance, as attached, are approved under PIO/T #522-9106-3-90226.

Funding of [REDACTED] will be provided from PIO/T #522-9106-3-90226 to carry out phase one of the subject task order.

Funding of [REDACTED] will be provided from PIO/T #522-9106-3-90226 to carry out phase two of the subject task order.

USAID/Honduras, in consultation with AHIBA and the Central Bank, has reviewed and approved the C.V.s and qualifications of consultants Barbara Friday (Team Leader), Margarita Fernandez, John Moran and Eileen Muirragui.

Please note that the approved scope of work includes the review of AHIBA's strategy and action plan for development of the association, its administrative capabilities and overall budget, and the incorporation of the above in the design of the Bank Strengthening (training) Program and the preparation of the comprehensive proposal.

Country clearance has been issued and hotel reservations have been made as requested by Price Waterhouse.

Price Waterhouse is hereby authorized to proceed in carrying out the scope of work within the approved budget.

SCOPE OF WORK

Price Waterhouse will field a team of four experts who will prepare a comprehensive proposal for a Bank Strengthening Program to be implemented by AHIBA in coordination with the Central Bank that can be financed by A.I.D. To that effect the team will perform the following tasks:

- 1) Review with the board of directors of AHIBA its institutional strategy, action plan, administrative capability and budget of the Honduran Bankers' Association (AHIBA); review its agreement with the Central Bank of Honduras to

implement a joint Bank Strengthening Program to provide bank training, library services, publications, research, and establish a credit reference service; work with the executive director of AHIBA in coordinating the work of AHIBA's newly established Training Committee, composed of one representative of each of the 15 banks, and of the Training Advisory Committee, composed of representatives of Honduras' universities, in finalizing the bank training needs assessment, identifying training sources, design the curriculum and implementation plan (including associated revenues and expenses) of the training activity.

2) The team will also: review the plans of AHIBA and the Central Bank to establish a main reference library at the Central Bank, a small reference center at AHIBA, and the publications activity for each which will support the training program.

3) The Team will also: review the plans of AHIBA and the Central Bank to establish a limited research activity on financial markets which will support the training component; work with the executive director and the board of AHIBA and the representative of the General Manager of the Central in defining an action plan (including the specific budget) for the research activity.

4) The team will review the proposed credit reference service, will make recommendations for the further development of that activity and will incorporate the budget for that activity into the overall Bank Strengthening Program Proposal.

The task order will be conducted in two phases. Phase one of the task order will be carried out from about November 25, 1990 through about December 18. Phase two will be implemented from about January 15 1991 through about January 30, 1991.

#### DETAILED SCOPE OF WORK

##### PHASE ONE

###### A. Conduct Background Research

1. Prior to their arrival in Honduras, the team will meet with the FSDP Project Director to discuss the expectations and requirements of FSDP and Price Waterhouse regarding this engagement. They will also review, with the FSDP Project Director, background relevant to this assignment.

2. The consultants will review the FSDP report A Diagnosis of the Asociación Hondureña de Instituciones Bancarias y Aseguradoras (AHIBA).

3. Upon arrival in Tegucigalpa the team will meet with Reese Moyers and Guillermo Bolaños of USAID/Honduras, Office of Private Sector Programs (PSP), to be briefed on the Mission's strategy to support the development of Honduran financial markets and on the specific task to support AHIBA's Bank Strengthening Program.

4. The team will review the overall strategy and implementation plan for the development of the association, its administrative capabilities and budget, and will make recommendations for improvements needed to enable

AHIBA to administer the Bank Strengthening Program.

**B. Perform a Training Needs Assessment**

1. The team will work closely with AHIBA management and membership to confirm and update the findings of the above mentioned Diagnosis, regarding the training needs of the financial institutions.

2. The team will perform an inventory of the current skills of individuals who will participate in the training program. This inventory should cover academic background, training courses completed, current responsibilities in the bank, and general strengths and weaknesses. This inventory should also explore the areas of banking and finance which these individuals (and their managers) intend to focus on in the future.

**C. Survey Existing Capabilities**

1. Explore and analyze the capabilities of existing Honduran, Central American and other appropriate training/educational institutions which serve the banking and financial communities.

2. Work closely with the heads of existing training institutions towards developing options for collaboration in the implementation of training programs which would meet the demands of AHIBA membership.

3. Research the costs of existing bank training programs and gather other cost-related information needed to prepare a budget.

**D. Develop Library Services**

1. Review the proposed organization of the Central Bank's main library and AHIBA's reference facilities.

2. Review the proposed publication program for the Central Bank and AHIBA in support of their bank training and strengthening strategies. The consultant must be in constant communication with the team developing the bank training program.

3. Review the proposed research program for the Central Bank and AHIBA in support of their bank training and strengthening strategies. The consultant must be in constant communication with the team developing the bank training program.

4. Identify alternative ways in which the libraries/publications/research programs can be structured to meet the needs of the banking sector with the resources budgeted, avoiding equipment obsolescence and duplication of reference materials, and minimizing the administrative burden for AHIBA and the Central Bank.

**PHASE TWO**

**A. Complete the Training Needs Assessment**

Upon review of the results obtained from the initial needs assessment activities in phase one, FSDP's consultants will specify the

characteristics of a bank training program which would address the current training needs of AHIBA's members.

**B. Survey existing Capabilities**

1. FSDP's consultants will finalize the development of feasible options for collaboration in the implementation of training programs which would meet the demands of AHIBA membership.

**C. Design a bank training program which would best meet the demands of the Honduran financial institutions and could be served by existing entities. The training program should include a budget which realistically reflects projected expenses for the implementation of this plan. The training program should be integrated with the library/publications/research components of the Bank Strengthening Program**

**D. Develop Library Services/Publications/Research**

1. Complete the design of a library and publications program and the related research component to be implemented with the resources budgeted which meets the needs of the financial sector and is implemented by existing entities when appropriate.

**E. Review the Credit Reference Service**

1. Review the proposed credit reference service, make recommendations for the further development of that activity and will incorporate the budget for that activity into the overall Bank Strengthening Program Proposal.

**Deliverables**

The result of the technical assistance will be a comprehensive proposal that reviews AHIBA's strategy and action plan for development of the association, its administrative capabilities and overall budget, and the incorporation of the above in the design of the Bank Strengthening (training) Program.

The proposal will incorporate the complete design and implementation plan for the Bank Strengthening Program that AHIBA and the Central Bank can present to A.I.D. The proposal must consider the self-sufficiency of the Bank Strengthening Program as well as AHIBA as an institution, to insure the continuity of its training activities once A.I.D.'s assistance is completed.

The bank training program will specify the types of courses, the number of participants, the estimated revenues and expenses associated with the training program, the level of support and coordination necessary from member banks, and the participants that could attend from other financial institutions such as savings and loans and insurance companies.

The team will also design and develop course curricula for the training plan. This section must address issues such as subject matter, levels of expertise required for, and sequential order of courses, and course materials.

The team will also design and develop the library/publication/research activity and incorporate its implementation plan and budget with the overall proposal for the Bank Strengthening Program and AHIBA's institutional

strategy.

The team will include in the proposal its review of the proposed credit reference service and its recommendations for the further development of that activity, and will incorporate the budget for that activity into the overall Bank Strengthening Program proposal.

This deliverable will be due in draft final form acceptable to USAID, AHIBA and the Central Bank upon completion of the second phase of this project on or about January 30, 1991. USAID will review the draft in coordination with AHIBA and the Central Bank and will provide its observations in writing to Price Waterhouse within two weeks after the team's departure from Honduras.

### Staffing

#### A. Financial Sector Specialist/Team Leader

Phase One: 14 days, 1 trip

Phase Two: 14 days, 1 trip

Prior experience as Team Leader for USAID engagement and extensive experience in design of financial sector and training programs is necessary. The Team Leader will be the principal liaison with USAID and will be responsible for developing the consultant's work plan, the overall structure of the deliverable and the coordination and integration of all its elements. Fluency in Spanish is required.

#### B. Training Specialist (24 days)

Phase Two: 18 days, 1 trip

Extensive experience in the design and operations of training programs especially related to the Banking Sector, and preferably in Latin America is required as is fluency in Spanish.

#### C. Librarian (12 days)

Phase One: 14 days, 1 trip

Phase Two: 8 days, 1 trip

Extensive academic and work experience with library and publications programs, experience in the design of a library/publication program and fluency in Spanish are required.

#### D. Financial Analyst (24 days)

Phase One: 16 days, 1 trip

Phase Two: 16 days, 1 trip

Extensive experience in the preparation of comprehensive proposals to AID, supervision of professional teams, budgetary preparation and projections, and facility with complex spreadsheets is necessary. Will be responsible for gathering cost information from bank training institutions throughout Honduras. Fluency in Spanish is required.

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**APPENDIX B**

**List of Courses by Level**

## **LIST OF COURSES BY LEVEL**

### **Programa Gerencial**

- o **Financial Sector Reform and Structural Adjustment: Experiences from Other Countries and Their Relevance to Honduras. (G1)**
- o **Impact of Structural Adjustment and Liberalization for the Management and Development of Banking Institutions in Honduras. (G2)**
- o **New Financial Instruments for Development. (G3)**
- o **Managing and Developing Human Resources in Banking. (G4)**
- o **Management Information Systems for Decision-Making. (G5)**
- o **Strategic Planning and Plan Implementation for Financial Institutions. (G6)**
- o **Mutual Perception Workshop**
- o **Government and Banking Industry Relations: International Comparisons.**

## **Programa Especializado**

- o Treasury Management Under Inflation and Devaluation (G2)
- o Credit Policy and Loan Portfolio Management (G2)
- o Advanced Project Analysis (G2)
- o Financial Planning and Asset and Liability Management (G2)
- o Risk and Liquidity Management (G2)
- o Planning Savings Mobilization (G2)
- o Account and Product Profitability (G2)
- o Advanced Auditing (G2)
- o Financing International Trade (G2)
- o Financial Accounting and Controls (G2)
- o Developing and Marketing New Financial Services and Products (G2)
  
- o Building Effective Financial Markets (G3)
- o Securities Market Management in Emerging Economies (G3)
  
- o Career Paths and Incentive Systems in Banking (G4)
- o Developing an Organization Through Training (G4)
- o Systems for Monitoring and Evaluating Training Impact (G4)
  
- o New Technologies for Commercial Banks (G5)
  
- o Planning Branch Management and Division Operations (G6)
  
- o Development and Implementation of Monetary Programs and their Impact on Local Financial Institutions. (G7)
- o Central Bank Organization and Operations (G7)
- o Advanced Bank Examination (G7)
- o Bank Regulation and Supervision (G7)

## **Programa Técnico**

- o **Credit Evaluation and Analysis of Financial Statements (G2)**
- o **Loan Recovery and Renegotiation (G2)**
- o **Introduction to Project Analysis (G2)**
- o **Small Business Loans (G2)**
- o **Agricultural Loans (G2)**
- o **Construction Loans (G2)**
- o **Housing Loans (G2)**
- o **Trade Finance (G2)**
- o **Intermediate Auditing (G2)**
- o **Systems for International Payments (G2)**
- o **Cost and Expense Accounting (G2)**
- o **Customer Relations (G2)**
  
- o **Career Development Workshop (G4)**
- o **Supervising Personnel (G4)**
  
- o **Introduction to Microcomputers (G5)**
- o **Introduction to Spreadsheets and Accounting Software (G5)**
  
- o **Planning Work Relative to Managerial Objectives (G6)**

## **Técnico Bancario**

- o **Accounting Principles (G2)**
- o **Auditing Principles (G2)**
- o **Credit Principles (G2)**
- o **Foreign Exchange Operations (G2)**
- o **Letters of Credit (G2)**
  
- o **Career Development Workshop (G4)**
  
- o **Introduction to Microcomputers (G5)**
- o **Introduction to Spreadsheets and Accounting Software (G5)**
  
  
- o **Teller Operations**
- o **Business Math**
- o **Deposit Accounts and Services**
- o **Communications Skills and Customer Relations**
- o **Selling Financial Services**

**APPENDIX C**

**List of Courses By Goal**

## LIST OF COURSES BY GOAL

**GOAL 1: MACROECONOMIC ADJUSTMENT AND MANAGEMENT DECISION - MAKING: Apply an increased understanding of macroeconomic adjustments to management decision-making. Draw on lessons from experiences of other countries.**

- o **Financial Sector Reform and Structural Adjustment: Experiences from Other Countries and Their Relevance to Honduras.**

**GOAL 2: OPERATIONS: Improve skills in key areas such as treasury; portfolio management, credit policy and loan performance; international operations; asset and liability management; financial controls; and profits and losses. Measure improvement (in terms of profitability, increased market shares) annually.**

- o **Impact of Structural Adjustment and Liberalization for the Management and Development of Banking Institutions in Honduras.**
- o **Treasury Management under Inflation and Devaluation**
- o **Credit Policy and Loan Portfolio Management**
- o **Advanced Project Analysis**
- o **Financial Planning and Asset and Liability Management**
- o **Risk and Liquidity Management**
- o **Planning Savings Mobilization**
- o **Account and Product Profitability**
- o **Advanced Auditing**
- o **Financing International Trade**
- o **Financial Accounting and Controls**
- o **Developing and Marketing New Financial Services and Products**
- o **Credit Evaluation and Analysis of Financial Statements**
- o **Loan Recovery and Renegotiation**
- o **Introductory Project Analysis**
- o **Small Business Loans**
- o **Agricultural Loans**
- o **Construction Loans**
- o **Housing Loans**
- o **Trade Finance**
- o **Intermediate Auditing**
- o **Systems for International Payments**
- o **Cost and Expense Accounting**
- o **Customer Relations**

- o Auditing Principles
- o Accounting Principles
- o Credit Principles
- o Foreign Exchange
- o Letters of Credit
- o Teller Operations
- o Business Math
- o Deposit Accounts and Services
- o Selling Financial Services

**GOAL 3: CAPITAL MARKET DEVELOPMENT: Deepen capital market development and diversify banking operations. Identify and offer new financial instruments. Explore feasibility of, and develop if relevant: stock markets, futures markets, swaps and options. Apply appropriate lessons from other countries.**

- o New Financial Instruments for Development
- o Building Effective Financial Markets
- o Securities Market Management in Emerging Economies

**GOAL 4: EFFICIENCY AND HUMAN RESOURCE DEVELOPMENT: Increase efficiency. Identify and implement innovative and self-sufficient human resource development programs to meet institutional development needs. Measure results annually.**

- o Managing and Developing Human Resources in Banking
- o Career Paths and Incentive Systems in Banking
- o Developing an Organization through Training
- o Systems for Monitoring and Evaluating Training Impact
- o Career Development Workshop
- o Career Development Workshop

**GOAL 5: MANAGEMENT INFORMATION SYSTEMS: Assess management information needs and apply appropriate systems and technologies. Examine how management information systems and new technologies for banking institutions can improve decision-making and performance in key areas of operations. Explore the trade-offs in adopting these systems and technologies in banks.**

- o Management Information Systems for Decision-Making.
- o New Technologies for Commercial Banks
- o Introduction to Microcomputers
- o Introduction to Spreadsheets and Accounting Software

**GOAL 6: STRATEGIC PLANNING: Improve management decision making; develop and implement strategic plans, identify ways to improve bank management during economic liberalization. Devise work plans to implement strategic plans, including methods to effectively communicate plans to staff members and motivate them to contribute to the realization of planned objectives. Measure improvement (in terms of profitability, increased market shares) annually.**

- o Strategic Planning and Plan Implementation for Financial Institutions.
- o Planning Branch Management and Division Operations
- o Planning Work Relative to Managerial Objectives

**GOAL 7: REGULATORY ENVIRONMENT: Create collaborative processes between AHIIBA, the Central Bank and the Government of Honduras to strengthen the financial system. Identify major bottlenecks in communications; devise joint strategies to overcome these bottlenecks. Explore and apply appropriate experiences of other countries in terms of relations between commercial banks and government regulatory institutions, and the types of government programs to support the banking sector.**

- o Mutual Perception Workshop
- o Government and Banking Industry Relations: International Comparisons.
- o Development and Implementation of Monetary Programs and their Impact on Local Financial Institutions
- o Central Bank Organization and Operations
- o Advanced Bank Examination
- o Bank Regulation and Supervision

**APPENDIX D**

**Census Questionnaire**

CUESTIONARIO DE CAPACITACION

NOMBRE: \_\_\_\_\_ FECHA: \_\_\_\_\_

1. Puesto (posición) en el banco: \_\_\_\_\_

2. Departamento del banco: \_\_\_\_\_

3. Funciones desempeñadas: (las más importantes)

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

d. \_\_\_\_\_

e. \_\_\_\_\_

4. ¿ De las funciones mencionadas en el número 3, cuáles ocupan la mayor parte de su tiempo? (Marque una ó dos).

a. \_\_\_\_\_ b. \_\_\_\_\_ c. \_\_\_\_\_ d. \_\_\_\_\_ e. \_\_\_\_\_

5. ¿ De las funciones mencionadas en el número 3 cuales le parecen más interesantes y prefiere desempeñar? (Marque una ó dos).

a. \_\_\_\_\_ b. \_\_\_\_\_ c. \_\_\_\_\_ d. \_\_\_\_\_ e. \_\_\_\_\_

6. ¿Cuáles le parecen menos interestantes?

a. \_\_\_\_\_ b. \_\_\_\_\_ c. \_\_\_\_\_ d. \_\_\_\_\_ e. \_\_\_\_\_

7. Favor indicar su nivel de formación profesional (con título)

\_\_\_\_\_ Secundaria  
\_\_\_\_\_ Licenciatura en: \_\_\_\_\_

\_\_\_\_\_ Maestría @ \_\_\_\_\_

\_\_\_\_\_ Doctorado en: \_\_\_\_\_

\_\_\_\_\_ Otro \_\_\_\_\_

(No indique cursos ni seminarios aquí)

8. ¿Estudia usted actualmente?

\_\_\_\_\_ Sí \_\_\_\_\_ No

9. Si la respuesta a la pregunta #8 es si, ¿Qué estudia y a que nivel? (ejemplo: Licenciatura en Adminitración Bancaria o Técnico en Mercadeo)

- 
10. De los cursos y/o seminarios que usted ha tomado en los últimos tres años, ¿Cuáles son relevantes a su posición dentro del Banco? Por favor indique con un asterisco (\*) los más útiles y recomendables.

<u>NOMBRE DEL CURSO</u>	<u>INSTITUCION</u>	<u>FECHA</u> (aproximada)
a. _____	_____	_____
b. _____	_____	_____
c. _____	_____	_____
d. _____	_____	_____
e. _____	_____	_____

11. ¿Qué cursos relevantes a su trabajo considera usted le ayudarían a desempeñar su trabajo más eficientemente? (Aquí puede indicar un curso que ya existe en el mercado o un curso por desarrollarse).

a. \_\_\_\_\_  
b. \_\_\_\_\_  
c. \_\_\_\_\_

12. Si usted fuera a tomar un curso de capacitación ¿Qué horario prefiere? (Fuera de las horas laborables).

\_\_\_\_\_ 7-9 a.m.    \_\_\_\_\_ 5-8p.m.    \_\_\_\_\_ fin de semana

**APPENDIX E**

**List of Training Institutions Contacted**

## TRAINING INSTITUTIONS TEGUCIGALPA – SAN PEDRO SULA

INSTITUTIONS	CONTACT
<b><u>TEGUCIGALPA</u></b>	
<b>INCAE – Instituto Centro- americano de Administración de Empresas</b>	<b>Cesar A. González</b>
<b>UNITEC – Universidad Tecnológica de Centroamérica</b>	<b>Román Valladares Rivera</b>
<b>INFOP – Instituto Nacional de Formación Profesional</b>	<b>Carlos Lorenzana Gilberto Well Ramírez</b>
<b>UNAH – Universidad Nacional de Honduras</b>	<b>Octavio R. Sánchez Midence Jose Armando Cardona</b>
<b>DEL VALLE – Universidad José Cecilio del Valle</b>	<b>Marco Polo Micheletti</b>
<b><u>SAN PEDRO SULA</u></b>	
<b>GEMAH – Gerentes y Empresarios Asociados de Honduras</b>	<b>Téofilo Castillo</b>
<b>Universidad Privada de San Pedro Sula</b>	<b>José Roberto Cáceres</b>

**APPENDIX F**

**List of Banks Visited**

## BANKING INSTITUTIONS TEGUCIGALPA

BANK	PERSONNEL	MANAGEMENT
AHIBA	Estela Flores	Gustavo Aguilar
BANFFAA	Silvia S. Sandoval	David Hernández *
Banco Atlántida	Carlos Mejía C. Fernando Gómez Filiberto Reyes Sánchez	Julio C. Figueroa * Guillermo Bueso * Salvador Gómez
Banco de Occidente	Blanca Orellana Ma. de los Angeles de Caraccioli Reina de Moreira	Jorge Bueso Arias * Manuel Venancio B. *
Banco Sogerin	Nora Castillo de Villanueva	César Laínez
Banco Central de Honduras	Julio C. Vásquez Vásquez Dalila Pinel de Pineda	Raul Medina Castro
Banco de Londres y Montreal	Teresa M. de Smart	J. Genari *
Banco de Honduras	Mariá Elena Chávez	Mariá Lidia Solano
Banco del Ahorro Hondureño	Gustavo Rodríguez	Carlos W. Cruz * Arnulfo Gutiérrez *
Banco FICENSA	Aura Iris de Haddad	Rolando Bier * Arturo Alvarado *
BANCAHSA	Ana Isabel Cardona Lilian Maradiaga	Jorge Alvarado
Banco de los Trabajadores	Gil Antonio Ortega	Gil Antonio Ortega Rolano Del Cid *
Banco Mercantil (BAMER)	Nuria Velázquez	Jacobó Atala
BANCAFE	Iris De Arriaga Filena María Aguilar	Carlos Canizales *

\* Individuals not interviewed

## BANKING INSTITUTIONS SAN PEDRO SULA

BANK	PERSONNEL	MANAGEMENT
AHIBA	Leslie Sevilla	
Banco Sogerin	Lorna de Hernández	Sidney Panting
Banco Comercio	Orlando Sarmientos G.	Suyapa Córdoba Jose Angel Mejía
Banco Atlántida	Medardo Durán Nidia De Mandujano	Ricardo Granillo Reina
BANHCAFE	Connie de Mejía	Juan Hipp Fernández
BANCAHSA	Francisco Guerrero Bolaños	Mario Carranza *
Banco Continental	Hernán Murillo *	Jaime Rosenthal *
Banco de Occidente	Gloria de Castañeda	Ernesto Lardizabal *
Banco de Honduras		Jorge Muñoz

\* Individuals not interviewed

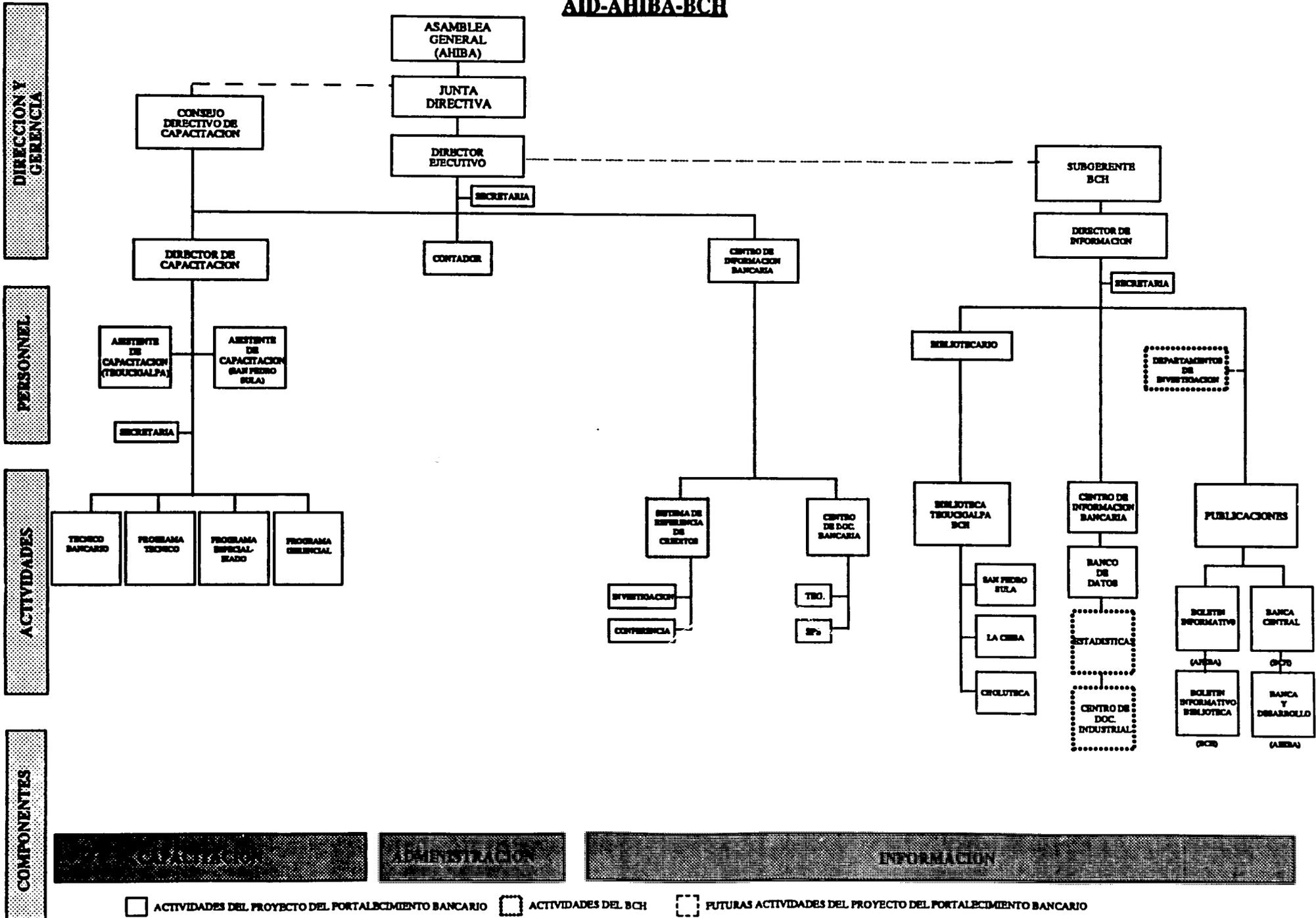
**FINAL REPORT**

**APPENDIX G**  
**Organizational Charts**  
**(in Spanish)**

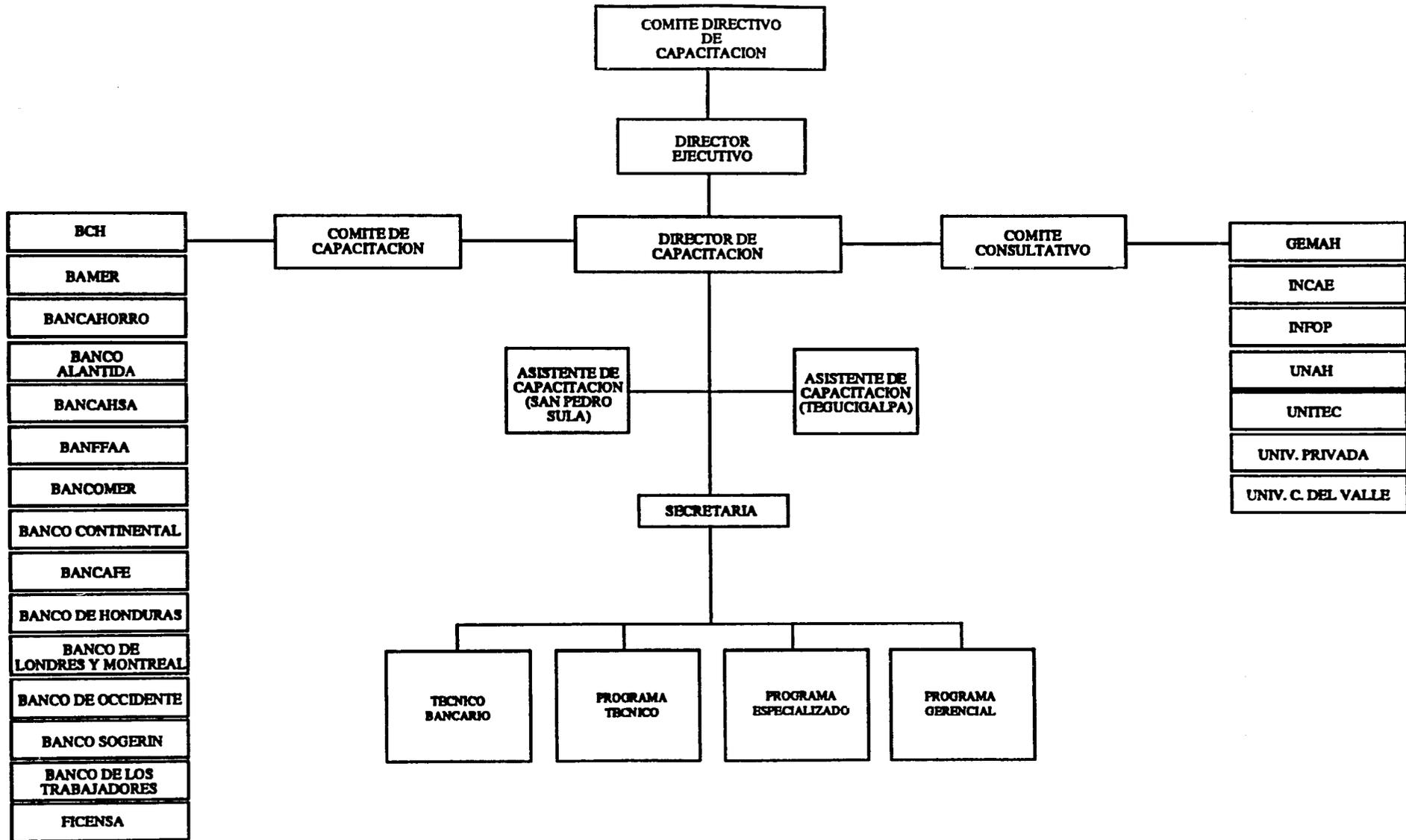


# ORGANIZACION GLOBAL DEL PROGRAMA DE FORTALECIMIENTO BANCARIO

AID-AHIBA-BCH



# COMPONENTE DE CAPACITACION



**FINAL REPORT**

**APPENDIX H**

**Suggested Library Implementation Plan  
Year One**

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## **Suggested Library Implementation Plan**

### **I. Library Project**

#### **1. Month One**

- a. Selection of a Library Committee. The Committee should include at least one member from AHIBA in San Pedro Sula.

#### **2. Months Two & Three**

- a. Selection of library personnel
- b. Selection and purchasing of library supplies and equipment.
- c. Selection and placement of purchase orders for reference works and principal works on banking and finance.
- d. Selection of serial publications and the payment of subscriptions. To limit paper-work and postage costs, subscriptions should be placed with a single library subscription firm.
- e. Preparation of specifications for library furniture.
- f. Determination of classification and cataloging policy.
- g. Planning and designing of library information bulletin.
- h. Contract a consultant who specializes in the application of telecommunication systems in libraries.
- i. Design and plan the physical facilities of the proposed Central Bank Library.

#### **3. Month Four**

- a. Negotiation of contracts for manufacture of library furniture. Also, begin construction of such furniture as soon as possible.
- b. Preliminary arrangements of the physical facilities of the library system.
- c. Purchase the telecommunication system (electronic data-processing machines such as computers, printers, and facsimile copying-machines). Also, services of a consultant for one week should be obtained.
- d. Begin classification and cataloging of books and serial publications. Also, begin indexing of the major articles from the serial publications.
- e. Initiate exchange-of-publications agreements.

#### **4. Months Five and Six**

- a. Publication of the inaugural number of the library information bulletin.

## **5. Month Seven**

- a. Establish reference collections in all library locations.**
- b. Establish telecommunications systems at all locations.**

## **6. Month Eight**

- a. Deliver remaining library furniture items.**

# **II. Publications Project**

## **1. Months One and Two**

- a. Formation of an editorial advisory committee.**
- b. Selection of personnel.**
- c. Purchasing of equipment and supplies.**
- d. Determination of specific scope and design of the proposed serial publications.**
- e. Incorporation of the existing publications of the Central Bank into the Information Component. Maintain present procedures for conceptual editing.**

## **2. Months Three and Four**

- a. Acquisition of copies of works about Honduras not available in Honduras. This should be done in conjunction with the Library for publication in the Books and Other Monographs Project.**

## **3. Months Four and Five**

- a. Publication of the inaugural number of the proposed library information bulletin.**

## **4. Months Eight and Nine**

- a. Publication of the inaugural numbers of two of the proposed magazines on banking and finance.**

## **5. Month Nine**

- a. Publication of the first book in the Books and Other Monographs Project.**

## **6. Month Ten**

- a. **Publication of the inaugural number for the remaining magazine.**

#### **7. Month Eleven**

- a. **Establishment of the initial numbers for the three magazines and a schedule for the preparation of the 1992 figures.**
- b. **Publication of the second book in the Books and Other Monographs Project.**

**FINAL REPORT**

**APPENDIX I**  
**Suggested Library Staffing**

**INFORMATION COMPONENT**  
**Suggested Staffing**

**A. Librarian**

1. **Main Responsibilities:**

- a. Planning the design, lay-out, and physical arrangement of the library.
- b. Preparation of the library budget.
- c. Selection and training of personnel and assignment of duties.
- d. Supervision of correspondence and orders, and approval of bills.
- e. Selection and purchasing of books, serials, and other publications; and supplies and equipment.
- f. Supervision of classification and cataloging of books and periodicals.
- g. Supervision of public reader's services.
- h. Supervision of reference and documentation services.
- i. Reviewing current literature, and editing the library bulletin.
- j. Translation of documents.
- k. Supervision of files containing special materials.
- l. Attending organization meetings, and research future conferences and seminars.
- m. Preparation of annual reports.

2. **Qualifications:**

Master's degree or licentiate in librarianship. Five years of administrative experience and five years of varied work experience in library work. Proven research ability.

**B. Microcomputer Specialist**

1. **Main Responsibilities**

- a. Responsible for the establishment and coordination of the electronic information network of the information component at all locations, including the delivery of its services such as the database and information delivery system.
- b. All duties assigned by the Librarian.
- c. Responsible for the operation of the library in the absence of the Librarian.

2. **Qualifications:**

Master's degree or licentiate in Computer Science. Experience in electronic library information systems.

**C. Assistants**

1. Assistants will perform, under the immediate supervision of professional staff members, working mainly with the higher routine processes which are distinctive and peculiar to library work.

2. **Qualifications:**

Two or more years of university study required. Some formal study and training in the fundamentals of library procedures (theoretical or scientific parts of librarianship as distinct from its mechanical parts). Experience in library work preferred.

3. **Responsibilities:**

These would depend upon the exigencies and requirements of the Library at a given time. A position at this level corresponds to being in charge of a major component of the Library such as one of the following:

a. **Technical Processes Department**

- 1) **Acquisitions Section:** Responsible primarily for placing orders for books, journals, supplies, and equipment; for organizing and maintaining all the records and correspondence thereof.
- 2) **Cataloging-Classification Section:** Primarily responsible for the complete process of preparing books and pamphlets for placement on the shelves and for ensuring that the catalog is an effective guide to the information that they can contain. This also includes the indexing of periodicals and the repairing and binding and preservation of biblio-graphical materials.

b. **Public Service Department**

- 1) **Reference-Documentation Section:** primarily responsible for providing information to Library users. Also

responsible for conducting literature searches and for preparing abstracts.

- 2) Circulation Section: Mainly in charge of managing the lending and recuperation of the Library's bibliographical resources.

#### **D. Other Support Staff**

1. May include the secretary and other entry level staff seconded from the Central Bank on a temporary basis. These employees perform, under immediate supervision, processes which may require experience, accuracy, and clerical ability of a high order but that do not require knowledge of the theoretical or scientific aspects of library work. Based upon the needs of the Library and their experience, assistants would work in the four areas listed above.

2. **Qualifications:**

Some study beyond the high-school level preferred; as well as experience working in any kind of library.