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**TECHNICAL REPORT**

**FINAL EVALUATION OF THE BANGLADESH  
FINANCIAL SECTOR REFORM PROJECT**

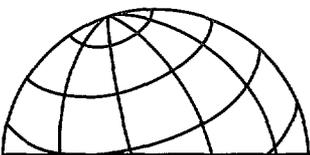
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**PRESENTED TO  
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT/BANGLADESH  
UNDER CONTRACT NO. AEP-0085-I-00-6016-00**

**PRESENTED BY  
TROPICAL RESEARCH AND DEVELOPMENT, INC.  
7001 S.W. 24TH AVENUE  
GAINESVILLE, FL 32607 USA**

**FEBRUARY 1997**



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**ACRONYMS**

AGM	Assistant General Manager
BB	Bangladesh Bank (Central Bank)
BDG	Bangladesh Government
BIBM	Bangladesh Institute of Bank Management
CAMEL	Capital, Assets, Management, Earnings, and Liquidity
CIB	Credit Information Bureau
Crore	Equivalent to 10,000,000 Tk
DGM	Deputy General Manager
DMD	Deputy Managing Director
FSRP	Financial Sector Reform Program
FSRP TA	FSRP Technical Assistance Project (USAID)
GM	General Manager
IDA	International Development Association (World Bank)
IMF	International Monetary Fund
Lakh	Equivalent to 100,000 Tk
MD	Managing Director
MIS	Management Information System
MOF	Ministry of Finance
MMTU	Monetary Management Technical Unit
NCB	Nationalized Commercial Bank
OEE	Office of Economics and Enterprise, USAID/Bangladesh
Tk	Taka (\$1.00 = Tk 40.25)
TR&D	Tropical Research and Development, Inc.
USAID	United States Agency for International Development

## EXECUTIVE SUMMARY

### *Introduction*

Since 1990, the Government of Bangladesh has received significant support for efforts in reforming its financial sector under a general Financial Sector Reform Program. Three international organizations were to become involved with the reform of the financial sector under this program: there was financial assistance for recapitalization of the Nationalized Commercial Banks (NCBs) under the World Bank's US\$175 million IDA credit that carried stipulations for extensive reform; the IMF provided technical assistance in monetary policy and bank supervision; and USAID came forward with US\$19.4 million for a large program of direct assistance, which became the FSRP TA begun in February 1992. This report is the final evaluation of USAID's FSRP TA.

There were four broad areas where the USAID FSRP TA was to further the government's efforts in putting financial institutions on a firm market-oriented approach according to the mid-project revision reflected in the logframe of April 1994. These were

- Implementation of market-oriented central bank monetary policies,
- Improvement of central bank supervision of the commercial banks,
- Expansion of the private banks' share of commercial banking, and
- Development of commercially viable NCBs, which may be suitable for privatization.

The impact of the FSRP TA has been significant although difficult to quantify. Some of the results seem impressive, others less so, and the remainder doubtful. Questions arise as to the sustainability of some of the results. An observation that surfaced in a number of interviews and that was not found in the literature is seemingly one of the project's most important contributions. It is an awareness—an awareness on the part of the financial community, the government, and donor agencies that the banking sector was in much worse condition than had been originally believed. The contribution of the project, although significant, has not solved major banking problems. When the project was in the original stages of discussion, commentators said that it would take ten years of work to achieve the goals that were being proposed for TA with a five year duration. In our opinion, events have shown this observation was valid.

### *Training Becomes Preeminent*

Deficiencies in the banking sector became obvious early in the project and were shown to be not only deep seated but also widespread. The need for increased training in order to overcome these

deficiencies grew into a matter of necessity, and the project was forced to focus primarily on training, where it found its true calling. Knowledge was imparted in most cases indirectly and through these indirect channels affected a large number of people. The majority of participants in individual bank programs obtained instruction from teachers who were themselves trained by the project's expatriate and national advisors. These advisors, especially expatriates, became the trainers of trainers. State-of-the-art techniques in many fields of banking were introduced. Indirectly, through these new trainers, there was a multiplier effect on the number receiving upgraded instruction.

The benefits of the training were widespread, but, unfortunately, project reports along with interim evaluations presented large figures for persons trained at the NCBs with little or no explanation as to how the training of such large numbers was achieved. Fortunately, through one way or another, many people did learn updated techniques, perhaps more so than with other training endeavors. Although the impact of these efforts will be felt at the NCBs in the future in the improvement of their operations, doubts arise as to their sustainability. The answer to this will lie within each NCB. The feeling of the team is that in two of the NCBs the improvements appear to have taken root and will be sustainable. For the other two, some questions remain.

Overseas training was also important, encompassing professionals from the central bank, Bank of Bangladesh (BB); Ministry of Finance (MOF); four NCBs; and training institutes. In relation to the numbers who benefitted from the advisors at the NCBs, the numbers are small, but this was training at the highest level for commercial and central bankers. Instruction received from the Citibank program in New York and the Federal Reserve System in the U.S. represented the summit of banker training programs. Rather discouraging has been the practice of some institutions to move people trained in specific areas to jobs where the training is not utilized. Nonetheless, people receiving overseas training report strong support and satisfaction for the experience and skills learned.

### *Revitalizing The BIBM*

Besides overseas instruction for faculty, the improvement of the Bangladesh Institute of Bank Management (BIBM) produced very noteworthy results. A Master's degree in bank management has been introduced with the help of expatriate advisers, courses have been upgraded, and the indirect influence of the one adviser, who had his office there, was effective in many areas affecting instruction. Computers were supplied especially for running course simulation exercises and air conditioning was provided for some classrooms and the library, the latter of which became quite popular.

### *Redirecting The NCBs*

National commercial banks (NCBs) were the focus of the project's efforts. Improved management techniques introduced to the banks included performance planning, a revised loan ledger, a loan evaluation form, and a management information system, which is used to calculate gross bank profits. Computers were provided to the four banks, and computer-based financial reports were developed for bank supervision and management.

From an operational standpoint, the introduction of a revised loan ledger was the major accomplishment of the project at the NCBs. Introduction of the loan ledger was an important first step in the development of a loan accounting system for the NCBs. The previous ledgers did not reflect the difference between principal and interest. As a result of the posting of capitalized overdue interest to the previous ledgers, it was impossible to distinguish between principal and interest. Because of this lack of clarity, it was difficult to identify past due loans and impossible to report loan recoveries.

The project's banking sector impact involved improvement in the Bank of Bangladesh's (BB) function of supervision through the design and implementation of an off-site surveillance system. The backbone of the surveillance system is known as CAMEL. CAMEL refers to the process of bank evaluation based on an assessment of a bank's capital, assets, management, equity, and liquidity. In order to implement the surveillance system, improved procedures for NCB reporting to bank supervision were developed and implemented with the help of project technical assistance. These improvements to bank supervision were worthwhile and lasting. The upgrading of the Credit Information Bureau (CIB) of the BB was another step forward.

### *The Management Information System And Computerization*

The provision of computers made a strong impact in improving the operational capabilities of the NCBs. They and the BB, the Central Bank, benefited through project inputs in computer hardware, advisory services in systems and programs, and allied training. Basically, computers were supplied in order to introduce a dramatically improved Management Information System (MIS). Unfortunately, the shipping of computers as project inputs was often delayed. This created uncertainty in the programming of the TA.

An MIS was introduced by the project but with limitations in terms of a useful purpose and scope. The MIS reports deal with income expenses and other financial data from the banks' branches to the head office. The final report for management is a one page collection of MIS indicators and ratios. Such reports are useful when done correctly and timely. To date, even this limited MIS report is rarely used in making decisions. This fact was substantiated by extensive interviewing of top managers in banking. An understanding of the measures and performance ratios is hazy for a number of top managers. A shortcoming of the project was not including an

orientation for senior managers in the use of the new computerized MIS reports. As a result, there is a lack of awareness in the importance of promoting the new system for management effectiveness.

Although delayed in many instances, project deliverables were supplied. Nonetheless, the expected outputs were not achieved according to the original goals. Therefore, it is difficult to measure the effectiveness of computerization, along with the MIS; nevertheless, systems have been put in place.

#### *Performance And Efficiency Of The NCBs*

Certainly, the evaluation team heard much regarding negative impact or, more commonly, the weak impact, especially of a sustainable nature, of the FSRP TA on the banking sector. It was not until 1994 that training, computer deliveries, and consultants were brought fully to bear on the banking sector's problems. It is very difficult to measure improvements quantitatively in bank performance for such a short period. The evaluation team's conclusion was that quantification was not relevant at this time. In spite of this, the effort at evaluating the project included a sizable amount of time in gathering statistics on the performance of the four NCBs. It is clear from the statistical analysis that financial performance has been improving gradually. A financial analysis of these banks is in the proprietary section of this report.

FSRP TA interventions helped implicit inter-relationships in terms of monitoring. The most visible impact has been the performance planning statement. This is frequently used by bank management in policy decisions. As reported by managing directors, they have used these statements in the regional meetings of branch managers and at regular meetings of top executives. The effects of the use of the Loan Risk Analysis (LRA) are yet to be clearly visible for the short span. One can argue that it has been contributing to the process of screening out bad applications, thereby reducing the degree of risk. In the long run, the impact of the LRA and performance planning will be observable. Unfortunately, none of the interventions focused directly on the monitoring of loan recovery, which is a very serious and known problem.

#### *Development Of The Monetary Management Unit (MMTU)*

The Bank of Bangladesh (BB) received significant assistance, primarily through the institutional development of the MMTU. A mid-term evaluation of the project had concluded that the impact on this section of the BB "was limited." However, the present evaluation believes that resources put into the section and the output have a good record. As the project picked up momentum, a clearly delineated output emerged. The expatriate macroeconomist worked with the bank's professionals to produce a solid research effort. A monthly report that focused mainly on changes on monetary variables in the economy was prepared for the meetings of the Monetary Policy Committee. Interviews by the current evaluators brought praise for these reports as well as other

papers produced. Another accomplishment of the TA was the establishment of seminars for the staff of the whole BB. This seminar program is ongoing.

The creation of a data bank of financial and economic statistics by the long-term advisor has been given good marks from those interviewed. However, official maintenance of it may be in doubt since data entry clerks have been withdrawn from MMTU. As with other banking institutions, training was provided to BB staff members including MMTU. Unfortunately, a visit to MMTU does not create the impression of a vital department, since many staff members have been transferred to other offices.

### *Monetary Policy Reform*

The IMF has provided TA to assist in determining monetary policy, especially Open Market Operations. The USAID PP, the scope of work for USAID's contractors, and the April 1994 logframe showed an active direction for this area but without activities other than supporting the work of the MMTU. The FSRP TA contribution to monetary policy was in the production of papers on a regular basis for the Monetary Policy Committee on financial variables, as well as some on economic conditions. This assistance was only indirect.

### *Conclusion*

The FSRP TA helped to reform the banking system, an objective of the government since 1990. Training and modern operational techniques have been provided successfully by the USAID project, although with a few detractors. The use of new methods has tended to vary among different institutions, but there is an awareness of these new techniques among a wide range of employees. However, senior managers were not adequately oriented to what the new techniques, equipment, and training programs were intended to do, nor were the NCBs bank boards. One authority has said, "In the long run, provided that the success so far achieved is not allowed to diminish, Bangladesh will benefit greatly from the foundation of skills, systems and procedures provided through FSRP TA."<sup>1</sup>

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<sup>1</sup>Chouduri, N.I.; et al; Bank Parikama; Dhaka, B.I.B.M.; Vol. XX, Nos. 3 & 4, Sept.& Dec. 1995, pg. 19.

## **I. RECOMMENDATIONS FOR POSSIBLE TECHNICAL ASSISTANCE**

An accomplishment of the project is recognition that the FSRP TA did something notable; the momentum toward reform should be carried forward. Many anticipate a future project, and some believe it essential in order to guarantee sustainability and to implant the techniques into the banking system. Opinions among the team members were that additional TA is highly desirable, but the size of a new project was not discussed nor who might sponsor it. Recommendations for possible TA occupied the thoughts of the team, and ideas emerged although most are not new in the banking community.

### *Accelerating Privatization*

When reform of the banking system began, privatization of the NCBs was an important goal as was increasing the private banks' share of business. After the advent of the TA project, the poor condition of the NCBs became obvious. Furthermore, private banks began showing greater weakness than had been believed. Consequently, the move toward privatization was left on the sidelines. Nevertheless, private market-oriented banks have advantages over government dominated banks because of the efficiency in their operation and in allocating credit to the most productive sectors of the economy. Therefore, the team strongly supports concerted moves to privatize the four NCBs. Rupali Bank is moving to the private sector, showing that there is some momentum in this direction. But the process should be speeded up. A schedule should be set forward with steps clearly delineated for privatizing the NCBs.

### *Withdrawal from Recapitalization*

As with humans on harmful drugs, the NCBs must break away from dependence on recapitalization. The poor quality of the NCBs loan portfolios has required recapitalization of the banks twice in the last six years. The problem will have to be faced of how to stop this easy way out. The question is, when? As with privatization, a schedule for complete withdrawal of recapitalization should be set up and followed. It is recommended that future disbursements of TA from outside donors should be coordinated with the schedules for privatization and withdrawal from recapitalization.

### *Training*

Acknowledged to be the most important contribution to the FSRP TA reform effort, more training is not only recommended but needed. The most important training institution in banking, BIBM, would greatly benefit from additional TA in improving capabilities of the teaching staff, providing a link to an overseas bank training center, and in other areas. For the NCBs, short-term advisors would be helpful in technical fields with targets of precise outputs. The BB ought

to receive training for research in economic and statistical analysis. Other departments of the central bank, including the CIB, should obtain similar assistance. One negative factor has been the inability to retain trainees within their fields of expertise. This is a problem demanding serious attention. Instruction currently being done by an IMF expert in loans and loan administration ought to continue.

#### *Computerized Loan Ledger*

Introduction of the FSRP loan ledger was an important first step in the development of a loan accounting system for the NCBs. The previous ledgers did not reflect the difference between principal and interest. Computerization of the loan ledger would be the next step toward developing an effective loan accounting system. With computer-based loan ledger data it would be possible to develop a program for loan interest accruals, past due reports, types of loans made, and other reports.

#### *Progress Toward Greater Computerization of Bank Operations and Improved Management Information Systems*

The concept of a computer based MIS calls for the computerization of most bank activities and creation of a dynamic database with a network connecting all branches and departments. The current MIS is a first step in the development of an overall MIS that should be clearly designed and implemented.

#### *Advance Modern Management Systems in the NCBs*

Current management systems in the NCBs are overly bureaucratic with little accountability. Personnel policies are in line with government style needs instead of those of private business. TA ought to help, and its scope should cover all aspects of management. Moreover, the problem of excess manpower should be faced and the means to solve it explored.

#### *Education of Senior Managers on the Goals, Inputs, and Anticipated Outputs of New Forms of Assistance*

In future work, results could be improved by informing the managers of the NCBs and the BB of what the project is supposed to do, a factor that was lacking in the FSRP TA.

#### *Loan Recovery for Both the Nationalized and Private Commercial Banks*

To put banks on a firm financial footing, including normal profits, the FSRP TA contributed to improvements in handling loans at the NCBs, but more and improved techniques for the recovery of loans in arrears is needed, primarily, (1) loans past due but not requiring legal action and (2)

loans requiring legal action. The reform effort has made strides in establishing financial courts and improving standards in granting loans but more is needed to reach the goals of privatization and the ending of recapitalization.

#### *Institutional Development Of The Bank of Bangladesh (Central Bank)*

The team had no time to investigate TA needs for the central bank, the BB; however, ideas emerged from discussions with various staff members that were validated by the team's knowledge of the financial sector. Tentative suggestions include the following:

- Support moves toward an independent status. Actions regarding laws are recommended in an USAID report by Gilbert T. Schwartz, "Review of The Bangladesh Bank Order, 1972 and Related Acts" dated 10/24/96.
- Assist in reorganization of the BB.
- Upgrade the personnel system, especially hiring and promoting.
- Improve instruction from lower-ranked to middle management employees mainly through an improved BBTA, which is the training section.
- Widen the use of computers.

#### *Increasing Financial Services to Small and Micro Entrepreneurs*

The development of entrepreneurs, especially small ones, is important in a market-directed economy. In 1994, FSRP TA started work on commercial bank and micro-enterprise lending linkages, and various alternative programs are discussed in Chapter Three of the second midterm evaluation of June 1995.

The current evaluation team discussed ways to improve lending to micro enterprises but felt that more information was necessary before making numerous specific recommendations. Nevertheless, one recommendation emerged: do a local survey of all programs and find out what has worked and what has not worked. One or two person months of work should produce examples of successful results, mediocre ones, and failures.

#### *Ranking of the Recommendations*

To what degree can a ranking be done? Priorities are dependent on one's perspective of the financial sector. From an international viewpoint strengthening the BB would probably rank highest, but from the domestic standpoint of savings and investment the commercial banks

would perhaps come out ahead. However, it is felt that the above advice on individual initiatives is connected closely to major improvements in the banking and financial sectors.

## II. TRAINING AND THE FSRP TA

### *Introduction*

Training became the most important contribution to the development of the financial sector, and it should be sustainable in the medium term, five to seven years, but ought to endure over a longer period. Nevertheless, it could receive continuing TA from international donors with the benefits more than outweighing the costs, but doubts may persist in the minds of many as to whether much of the training that is oriented to private sector banking will be fully beneficial in public banks such as the NCBs. If the public banks are run on the same basis as private ones the answer would be affirmative, but political motivations tend to distort decisions away from objective criteria.

In the original design of the project, training did not appear to be a major consideration. Discussion of it is short in relation to other topics, and it was only seven per cent of the original budget which appeared in the PP. But, the first budget amendment to the project showed that the expenditures for training rose to 26 per cent, and this was before implementation had begun. These percentages show only the amounts specifically allocated to training and not training indirectly through the activities of the long-term advisors. One of the long-term experts was a training advisor who was assigned to the BIBM for nearly four years. Arriving early in 1992, he was a force in preparing a paper entitled, "Assessment of Current Training Programs and Capabilities in the Banking Sector." After discussion in the Bangladesh banking community, the paper led to the FSRP TA document, "Medium-Term Bank Training Strategy." Formal discussions were then held in the bank community with eventual acceptance with modifications. Later reference to the plan was the "Strategy."

### *The "Strategy"*

The Medium-Term Bank Strategy delineated six major areas of activity, which in some instances had already been started by the project's long-term training advisors. These were:

- (1) Introduction of a Master of Bank Management degree program at BIBM,
- (2) Overseas advanced degree programs for MOF, BB, and BIBM,
- (3) Mid-career banking course at the BIBM.
- (4) Development of faculty including overseas training and improvement of the physical facilities at BIBM—introduction of new courses and upgrading of existing ones.

- (5) Development of faculty, including overseas training, and the improvement of physical facilities at Bangladesh Bank's Training Academy—introduction of senior staff courses and upgrading of foundation courses,
- (6) Development of faculty including overseas training and improvement of the physical facilities at one NCB training center—upgrading of foundation courses.

It is reported that by mid-1994 the long-term training advisor, the USAID mission, as well as the MOF, BB, and BIBM began the search for additional outside funding for training.

The fulfillment of the six goals of the above strategy is not a formal part of the USAID project, but the long-term advisors in collaboration with the Bangladesh financial community formulated the goals as the strategy for policy makers within the financial sector and the government. One might ask, to what extent have these objectives been achieved? The offering of the Master's degree in Bank Management was approved, and classes began in January 1997. The second objective in regard to advanced overseas training for the three institutions was completed. The mid-career banking course at BIBM was significantly upgraded. A total of six offerings of the upgraded course has been provided so far, each with about 25 participants. Included was a study tour to Colombo, Sri Lanka and Bombay, India to observe financial institutions for a week each. About 120 individuals have passed through the program. The last three objectives of the strategy were also addressed.

#### *Striking Effect on the NCBs*

Instruction in the fields of knowledge used by commercial bankers not only occasionally but also in daily operations was the most important aspect of FSRP TA sponsored training. It affected by far the greatest number of people engaged in the financial sector and was provided indirectly by the long-term advisors stationed in the four NCBs. The expatriate advisors and the national long-term advisors made very significant contributions to training. For the expatriates it was indirect but yet effective. Not being fluent in Bengali, they could not instruct the bank's staff. Their contribution was in the preparation of manuals for courses, course modules, and general instruction on the improvement of training within each bank's training program. The expatriate advisor became a trainer of trainers, and this was extensive with a reported output of 100 new trainers. Language problems were minimal in this activity. Although the present evaluators could not review every training manual or module, what was seen was considered good. It should be realized that materials produced by the long-term advisors for the improvement of training consumed many working hours. The methods and materials of the existing courses had to be reviewed, changes had to be considered, modern techniques had to be worked into new course manuals, and the trainers had to be instructed in the modern techniques and the rearrangement of course materials.

The fields of training were diverse, including basic and advanced computer applications, macroeconomics, financial economics, statistics, accounting, credit risk analysis, loan classification/recovery, and bank management systems. Both expatriate and national advisors were active in these.

Discussions at the NCBs by the evaluation team included the activities of the long-term advisors, especially the expatriates. One question addressed was, how much time was devoted to training as compared with all "other activities." Although the percentages tended to vary from bank to bank, the average time centered around 50 percent. A further question addressed was whether any of the time devoted to "other activities" besides training involved the preparation of materials for training. The response revealed that manuals for courses and module preparation had been categorized a number of times within "other activities." Consequently, the long-term advisors were dealing with training well over 50 per cent of the time. At the present time, the manuals of instruction and the course modules are reported to be in use in the training programs of the banks and are recognized to be a very significant contribution of the FSRP TA. According to statements from NCB officials, these materials will be used in the future also.

### *Overseas Training*

Overseas training was popular with participants and was ranked highly by most of those taking part. Study programs at Citibank in New York, several Federal Reserve Banks in the U.S., the Federal Deposit Insurance Corporation, the Economic Institute in Colorado, and the Asian Institute of Technology in Thailand provided high-level training. There were a few problems, with the most serious one at Fisk University in the U.S. The expatriate training consultant investigated and wrote a good report on this, which led to the selection of another school. Overseas training was given to 171 people with the total cost being about \$1.0 million. The administrative work was time consuming. This included preparing budgets, formulating criteria for selection, arranging with overseas institutions, administering tests, doing training in preparation for overseas instruction, making the final selection of candidates, arranging for government and USAID clearances, making financial arrangements for the trainees, solving problems during training, and evaluating the results from training. Employees from the BB, MOF, BIBM, and four NCBs participated. Those from private banking were included in the Mid-Career Banking course study tour to Sri Lanka. Two high-level officials, a Deputy Governor from the BB and a Joint Secretary of the MOF, were included in a World Bank-U.S. Federal Reserve Board program.

### *The BIBM*

The Bangladesh Institute of Bank Management (BIBM) is the most important institution for training in the financial sector. Although having been founded in the early 1970s and performing its function of training bank employees, its methods had become dated and technological

developments within the field moved ahead too rapidly to be incorporated into the programs of instruction. Institutional development of BIBM became a part of the long-term training advisor's primary tasks. Formal adoption of the Medium Training Strategy stimulated action for drastic improvements. The BIBM was to become a "center of excellence."

For the FSRP TA consultants, BIBM became the keystone in their efforts to improve instruction. It had long experience as a teaching institution, extensive background in dealing with different institutions of the financial community, a qualified faculty, and a wide range of courses. As the project progressed, BIBM showed a strong willingness to upgrade their activities.

The decision to start a Masters degree program was an important element in the "Strategy." Courses began in January 1997 with 50 students, who were selected by testing. The goal is to work up to 125 admissions a year with 100 graduates to be expected annually after completing a two year program. The degree will be awarded under the National University. The World Bank was reported to be an influence in using BIBM for a Master's program. Courses will cover a wide range of fields of use to the banking industry with full weight given to the theoretical aspects as well as practical elements. Within a short time more faculty will be recruited and the use of adjunct professors is planned. Eventually a night program for the masters will be incorporated. BIBM also has plans for a Ph. D. program in banking in four to five years.

The upgrading of old courses and the introduction of new ones were assisted by the FSRP TA. Within the strategy for BIBM was a Mid-Career Banking course. The final report from the prime contractors for the project lists three courses of short duration that were upgraded by the FSRP TA program in several fields. There was development of another short-term course, and three new courses on macro, financial, and monetary economics were introduced.

The USAID project had a large input on the program of upgrading the BIBM through the long-term expatriate and national training advisors, and the expatriate advisor was important in the development of the strategy for making substantial upgrades in the curriculum. But the FSRP TA cannot claim it entirely as its own. Nevertheless, the inputs of the experts, such as the provision of advice either verbally or through papers written, were invaluable. The expatriate advisor's office was at the institute, allowing close interaction with the staff. The long-term advisors, including the expatriates, gave many lectures in their fields not only at BIBM but also at most of the NCBs and BB. Three individuals from the institute went overseas for training, and the last one is currently working on a master's degree at a U.S. university. The project appears not to have had an influence on the number of trainees at the institute. Numbers declined during the years of the project but appear not to be project related.

The FSRP TA was a generous contributor of training equipment including overhead projectors, cordless microphones, flip charts, photocopiers, and computers for computer simulated case studies. Air conditioning was installed in the library and two large classrooms. There is reported

to be greater library usage and improvement in classroom performance. The Asia Foundation provided books for the library.

*Numbers Trained, Impressive Figures*

The number of people trained either directly or indirectly by the project is outstanding. The final report of the prime contractors estimated that 15,000 people were exposed to training that had been influenced by the project's efforts. The current evaluation team generated statistics based on student years, which are presented in the table below.

SUMMARY STATISTICS FOR ALL TRAINING PROVIDED

<b><u>FSRP TA Training*</u></b>	<b>Total</b>	<b>Sonali</b>	<b>Janata</b>	<b>Agrani</b>	<b>Rupali</b>	<b>BB &amp; BIBM</b>
7/1992 - 6/1993	28	3	4	17	2	2
7/1993 - 6/1994	109	32	31	22	11	13
7/1994 - 6/1995	102	28	36	19	6	13
7/1995 - 6/1996	107	50	24	27	6	N/A
Totals	346	113	95	85	25	28

\* In Student-Years ( Student-Years = Student-Days, 220).

Student-Days = ( # of Participants × # of Hours of Classroom Training, 7.5 Hours).

Includes overseas training (Roughly: 18 Student-Years; 170 participants; 20 programs ranging from 2-3 weeks to 4-5 months; US, Thailand, In-Region)

There was a total of 346 student-years of training arising from FSRP TA interventions for a wide range of courses from mid-1992 to mid-1996. Sonali Bank followed by Janata Bank registered the largest number trained then Agrani Bank followed by a small figure for Rupali Bank. During the first year of the project, the total number was small in relation to the three subsequent years. Sonali registered the largest figure, 50 student-years, for any specific year. The BB and BIBM training figures are small, but their learning represented a higher level of professional development, much of it carried out overseas.

*Recommendations for the Future*

Questions, as to future technical assistance being of greatest value to BIBM, were narrowed to four general areas:

- overseas training for members of the teaching staff,
- a strong link to an overseas bank training facility,
- further computerization, and
- upgrading of their physical facilities to accommodate a forecast of increased enrollment.

After visiting with the staff and touring the facilities by a member of the evaluation team, these requests seem reasonable.

For the NCBs, they are in the process of still absorbing the inputs from the long-term advisors of the now completed FSRP TA, and this will continue for some time. Therefore, long-term consultants are not recommended for this purpose. Nevertheless, short-term advisors for training could be beneficial if they are needed for highly technical fields. The assistance should be of short duration and targeted toward precise outputs from any requested training.

The importance of central banks is briefly discussed under the MMTU section. The BB would benefit from further training of a long and short-term nature. The Research Department/MMTU would develop further with the presence of another expatriate advisor with extensive experience in both monetary economics and macroeconomics at the graduate level. Also monetary economists and macroeconomists attached to the BB should receive graduate overseas training, in addition to training received under the old project. Furthermore, a detailed staffing plan should be drawn up for Research/MMTU through the next eight to ten years, especially for the number of macro, financial, and agricultural economists and their level of required training. Statistical analysts and employees conversant with computer programming must also be considered.

Short-term expatriate consultants should be hired for specific projects not only for the expertise they could provide but also for the indirect training given to other professionals.

Besides research, other departments of the BB, including the CIB, should be looked at for long- and short-term training in central banking techniques. Unfortunately, the present evaluation team did not have enough time or expertise to evaluate the training needs of the central bank properly.

*A Significant Problem of Training Endeavors*

A major problem that will have to be faced in new training initiatives is the frequent transfer of returning participants from the area for which they were trained to other positions having no connection with the instruction. The objective was to bring back new ideas, but in most cases it did not happen. It would seem necessary to require participants to remain in such positions for a minimum of three years (maybe, prorated in some way) or to refund the costs of the training.

### **III. REFORMING THE NATIONAL COMMERCIAL BANKS**

#### *Introduction*

Prior to the implementation of the Project, the Government of Bangladesh completed a series of financial sector reforms as conditions precedent to the 1990-1994 US\$175 million World Bank Financial Sector Adjustment Credit. Many banking reforms were completed by the time the USAID FSRP TA finally got underway in February 1992. In the same month, the World Bank's IDA credit was disbursed based on reforms already accomplished. These reforms were the following:

- a. The NCB loans had been reclassified.
- b. The NCBs had been recapitalized.
- c. Accounting reforms had been established which put an end to a system that showed that non-performing loans provided interest income.
- d. The Financial Loan Courts Act, which provided a legal structure to pursue loan defaulters, had already been enacted.
- e. A monitoring program for the 100 largest defaulters at the NCBs had been established.
- f. Interest rate reforms were carried forward.
- g. The auctioning of a BB 91-day bill had been instituted.
- h. The Companies Act had been enacted which provided for capital adequacy requirements including minimum credit limit to single credit risk as well as to bank directors, and a new Banking Companies Act in 1991 established banking law provisions.
- I. Loan collection efforts had been strengthened in accordance with required targets.

#### *FSRP TA's NCB Reform Strategy*

The question arose of what remained for the project to do to accomplish the objective of improving the efficiency and financial viability of the NCBs. The answer to that question was

that the project could accomplish the objective by providing computers, by developing needed management tools for the NCBs, and by training.

A major focus of the project regarding the NCBs was to improve the quality and quantity of data through the acquisition of computers for the NCBs. The idea was that better data would enable bank management to be more effective and thereby improve the viability of the banks.

#### *FSRP TA's Management Improvement Products*

A critical area of the project's efforts to improve the efficiency and financial viability of the NCBs included the introduction of management improvement products namely a management information system, a performance planning system, a loan evaluation system, a revised loan ledger system and a revised fee schedule for non-loan services.

In regard to one of the project's products, the name management information system was somewhat of a misnomer—a more descriptive name would be, how to Calculate Gross Bank Profit. The management information system consists of a booklet which illustrates how to calculate deposit costs and loan income in order to arrive at gross bank profit. The system was described by bankers interviewed as being useful. The usefulness is limited because no computer application has been made of the product.

The performance planning system is described in a booklet prepared by the project. It describes how to do planning based on management by objectives. Like the management information system, the performance planning system was described as being useful. However, the system is not computer based. It is obvious that the impetus for planning is severely limited by the unprofitable NCB environment which is hopelessly burdened by problems associated with mammoth bad debt, over-staffing, low salaries, the inability to retain trained employees, and the inability to recruit skilled personnel.

The FSRP TA introduced a twenty-page loan evaluation form that is being used by the NCBs. The form solicits typical loan application and financial data. The loan officer is required to assess the data in order to come to a decision as to whether or not to make the loan. The fact that the form is being used speaks to its utility.

The project also introduced a loan ledger which is being used by the NCBs. Entries are posted manually to "date due," "total due," "date paid," "total paid," "overdue (days)," and "total (amount due)." A ledger that is properly and currently posted enables a banker to know the status of a loan. The ledger is an elementary accounting tool and has proven to be useful to the NCBs. Unfortunately, the NCBs do not do loan accounting on their computers because of a lack of software.

The project made a positive contribution in the area of pricing policy. With the advice of the consultants, the NCBs raised their fees and other charges for non-loan services while lowering deposit rates. The earnings increase as a result of raising prices was estimated by the World Bank to be almost US\$100 million.

### *Lessons Learned*

There are a number of lessons that can be learned from the project. Simply stated they are:

- Lesson one: A visible, successful project heightens public awareness.
- Lesson two: Go with what works.
- Lesson three: The proof is observed success.
- Lesson four: When something is beyond repair don't keep fixing it.
- Lesson five: It doesn't help to take credit for things you didn't do.

Following is an explanation of these lessons.

#### Lesson number one: A visible, successful project heightens public awareness.

A private bank managing director who had worked in an NCB during the project, expressed what others have implied. He said that the most important accomplishment of the FSRP TA was that its activities raised the awareness level of the sorry state of the NCBs and of the need for reform. Awareness was not an expressed project objective, but happened in the course of the project successfully carrying out its activities. The value of public awareness for financial reform is significant. Without a heightened level of awareness the financial problems of the NCBs would remain. Therefore, FSRP TA was an agent of change.

#### Lesson number two: Go with what works.

According to the managing director of one of the four NCBs, the management information system and the performance planning system were in use at the Agrani Bank prior to the inception of the project. Project personnel recognized the merit of the two systems and successfully introduced them to the other NCBs. This transfer of technology demonstrates the resourcefulness of the project personnel in going with what works.

#### Lesson three, The proof is observed success

Upon visiting Janata Bank, the team was struck with the apparent success of the project. On entering the FSRP TA office, we observed two computer training classes with thirty or forty people in attendance. In an adjoining room, a dozen people entered inter-branch reconciliation

data into their computers on FoxPro software provided by the project. Another fifteen people were working at their computers on bank reports which the project had assisted them in developing. During our interview, we were provided with a well organized, currently produced report of the bank's activity. Officers and personnel associated with the FSRP TA were very impressive in their attitude and in their work. Clearly the project had been successful at Janata Bank.

What we witnessed at Rupali Bank was at the other end of the spectrum from the Janata Bank. There was no evidence that the FSRP TA had ever existed except for a sign in a silent room with two unused computers and a staff of five people where, we were told, there used to be ten. The team was led to believe that a revolving door for managing directors had contributed to a lack of interest in project initiatives.

We saw no FSRP TA related activity at Agrani bank headquarters or at the branch where the consultant was based other than a couple of the manuals which the project had prepared and some computers which no one was using. The impression is that Agrani Bank really hadn't felt the need for the TA. After all, Agrani Bank had been using computers for years before the project began and they had the management information system and the performance planning system.

It is obvious that the Sonali Bank benefited from the FSRP technical assistance. At the Bank headquarters, the MIS computer group compiles a monthly summary of the financial data from the branch balance sheets and income statements for use by the bank management. The report was developed by FSRP TA experts in 1993 and has been in use since that time. The Excel and FoxPro software, which the Bank uses, were furnished by the project. As required in the area of bank supervision reform, a detailed report concerning loans and deposits is prepared on a computer and sent to BB on a monthly basis. The project also assisted in the development of that report. Clearly, the interventions made a lasting impression on the Sonali Bank.

Beauty is in the eye of the beholder. An Financial Sector Adjustment Credit Aide Memoire of the World Bank dated May 19, 1994, stated that "Agrani Bank and Rupali Bank appeared to be responding to market forces in designing their product mix and fee schedules while Sonali Bank and Janata Bank viewed their role as classic state-owned banks of the 1970s." What was the lesson to be learned? The lesson is that observed success is what has remained now that the project is over.

Lesson number four: When something is beyond repair don't keep fixing it.

It is an accepted maxim that "if it isn't broken don't fix it." In the case of the NCBs, the maxim should be "when something is beyond repair don't keep fixing it." This refers to the fact that the miserable state of NCB loan portfolios has twice in the last six years made it necessary to recapitalize the banks.

Current bank supervision figures, which are not available for publication, reflect the fact that classified loans have shown an increase from 1992-1996 similar to the increase reported from 1989 to 1992. The magnitude of the poor credit quality would appear considerably more severe if the stricter international standards were adopted. The following table shows the comparison of loan classification and the loan reserve-for-losses provision standards of Bangladesh compared to international standards.

LOAN CLASSIFICATION AND PROVISION STANDARDS  
EFFECTIVE DECEMBER 31, 1995

<b>Loan Category</b>	<b>Bangladesh</b>	<b>International</b>
<i>Number of Months Past Due</i>		
Unclassified	0 - 9 months	0 - 3 months
Substandard	10 - 24 months	4 - 6 months
Doubtful	25 - 36 months	7 -12 months
Bad/Loss	36 months or more	13 months or more
<i>Rates of Provision (in percent)</i>		
Unclassified	1	1
Substandard	10	20
Doubtful	50	50
Bad/Loss	100	100

Source: "Loans," Unpublished document prepared by the IMF Bank Supervision Consultant, Bangladesh Bank, Dhaka, undated, page 2.

Yet a third recapitalization is waiting in the wings. Rumor has it that the additional capitalization which is now required for the four NCBs to provide for their deficient loan loss provisions is about taka 4,000 crores (US\$952 million).

The question is, how many times must the NCBs be recapitalized before the plug is finally pulled? The lesson is obvious, don't keep fixing the NCBs. It is unjust that the public coffer continues to be used to subsidize the persons who don't pay their loans. The application of the

lesson should be simply no more capital for NCBs; adopt a privatization schedule--starting with Rupali Bank which is weak—and stick to it.

Lesson number five: It doesn't help to take credit for things that you didn't do. The Project Paper<sup>2</sup> states that "...improvement in the following macroeconomic indicators is expected to be evident at the end of this Project and will be addressed in the final Project evaluation:

- Reduction in the structural inflation rate.
- Increased profitability of commercial bank lending to the agricultural, export and small industry sectors.
- Increased investment in the banking sector.
- Relative stability of real interest rates as compared to nominal interest rates."

These objectives have nothing to do with the work that was done by the FSRP TA. The objectives, no doubt, seemed like a good idea when they were written a couple of years before the Project got underway.

Worst yet, in the final report of the project by the two primary contractors, FSRP TA was credited with doing all kinds of reforms which had already been done before the project even started. Page one of the Executive Summary states that "...many new or improved policy reforms were instituted by the central bank as a consequence of the (FSRP) technical assistance program. These reforms included (1) increased flexibility in interest rates, (2) stricter capital adequacy requirements for commercial banks, (3) more appropriate use of BB's rediscount window, (4) introduction of 91-day Treasury bills, and (5) vesting of a monetary policy committee." These reforms were not the work of the FSRP TA. The lesson here is that it doesn't help to take credit for things you didn't do.

Despite the work that was done by the FSRP TA, the debt recovery environment did not improve and the NCBs did not gain financial viability. That is not to say that the project was not successful. The project made the first successful attempt to improve NCB operations and paved the way for additional work that can be done. The project contributed to the awareness of the sorry state of the NCBs and of the need to privatize them. Given the heightened public awareness that now exists, the GOB should now have the impetus to make the need for NCB privatization become a reality.

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<sup>2</sup> Project Paper, Financial Sector Reform Program, Bangladesh; USAID; June 6, 1990; p. 11.

*Recommendation*

There is additional work that should be done as a follow-up to the FSRP TA. Applying the lessons of "going with what works," and observed success, technical assistance and software should be funded to implement computerization of the project-designed loan ledger system, at a pilot program, at Janata Bank and Sonali Bank.

Computerization of the FSRP TA loan ledger data would be the next step toward developing an effective loan accounting system, and it would involve a large loan data base. In developing the computer program, consideration should be given to using off-the-shelf software such as Paradox. By using the loan ledger data, the idea would be to develop a system for loan interest accruals, past due reports, types of loans made, etc. The development of a computer-based loan accounting system would serve as an important component of the management information systems of the NCBs.

Proper computer-based loan accounting could help the bank inspectors do a better job. The accounting system would provide the basic information for loan classification which could result in more accurate data for inspectors. The system could also furnish the needed data for tracking loan recoveries, for checking compliance with banking loan regulations, etc. In order to benefit from the accounting system, the bank inspectors would need to be trained in the operation of the system. Additionally, the data produced by the accounting system would need to be provided to the bank inspectors. They would need adequate computers and software to develop their reports.

The pilot project for the computerization of the loan ledgers should be conducted at Janata and Sonali Banks. The reason for selecting these banks is because of the good computer work that they are presently doing. After the loan accounting system became operational, phase two of the project would include the Bank Supervision Department of the BB. Bank inspectors would be trained in the operation of the loan accounting system.

It is envisioned that the project would be for a three-year-term and would be conducted in two phases. The first phase would involve the Janata Bank and the Sonali Bank. The second phase would involve those two banks in addition to the Bangladesh Bank's Bank Supervision Department. The budget for both phase one and two would include an expatriate commercial banking consultant and an expatriate computer consultant who has implemented a bank loan accounting system. The two expatriates would serve as designers of the loan accounting system and as training consultants to the project. Counterparts from the Janata and Sonali Bank's staff would be assigned to the project for both phase one and two. Counterparts from the BB Supervision Department staff would be assigned to the project during phase two. A local hire computer consultant would work with the two expatriates during both phases of the project. Funds for software will be required. Several powerful personal computers will be needed by the two banks and by the Bank Supervision Department. The massive amount of loan data will

require the latest in personal computer technology. A review of the existing availability of powerful-enough personal computers at the two banks and at the Bank Supervision Department should be made before a budget is finalized.

The project output would be a computer-based loan accounting system developed by utilizing the data elements of the loan ledger. The loan accounting system would provide for interest accrual, classification of loans based on their current or past due status, calculation of loans charged off, calculation of the amount of loans recovered, classification of loan purpose, etc. The reports produced by the system would also serve as many key elements of a management information system.

### *Reforming Bank Supervision*

Bank supervision refers to the authority of the Bangladesh Bank, the central bank, to oversee the nation's bank activities in order to assure that the loans and other assets of the banks are sound. The supervision is performed by the bank inspector personnel of the Bangladesh Bank Supervision Department through periodic on-site visits to the banks and by their off-site review of financial data provided by the banks.

The particulars of the bank supervision reform were outlined in the Credit Agreement between the GOB and the World Bank. The Agreement contained two conditions relative to bank supervision:

- a. The Borrower (GOB) shall obligate the Bangladesh Bank, with technical assistance from the International Monetary Fund (IMF), to design and introduce a system for continuous bank supervision.
- b. The Borrower shall obligate Bangladesh Bank, with technical assistance from the IMF, to design and introduce a system to rationalize and streamline bank reporting requirements.

Additionally, the GOB stipulated the following supervision related reforms for the Bangladesh Bank as being conditional to the Financial Sector Adjustment Credit:

- a. Bangladesh Bank shall establish and implement a system by which scheduled banks are required to report regularly to Bangladesh Bank on loans and debt servicing status of their public sector borrowers.
- b. Bangladesh Bank will establish and staff a supervision unit for non-bank financial institutions.

- c. Bangladesh Bank will design and commence a training program for its supervision and inspection personnel.
- d. The Accounting and Auditing Committee of the Bangladesh Bank shall establish criteria, for selection of auditors, external audits, and review of audit reports for financial institutions for which Bangladesh Bank has supervisory responsibility.

#### *FSRP TA's Bank Supervision Reform Role*

Originally, the banking supervision role of the FSRP TA was limited to assisting the NCBs in improving their procedures for reporting to the Bangladesh Bank. However, as it worked out, the project became more involved in bank supervision than was originally planned. Under the terms of the FSAC, bank supervision technical assistance was scheduled to be provided by the International Monetary Fund (IMF). It was planned that the IMF technical assistance to the BB would focus on upgrading the commercial bank reporting requirements. Soon after the FSAC began, the IMF advised BB that it would not be able to provide the technical assistance. As a consequence, in consultation with the GOB and USAID, some FSRP TA resources were allocated to BB for improving the off-site monitoring of bank assets. The principal resource was the assignment of a long-term specialist to work with the bank supervision inspectors. The bank supervision specialist arrived in August 1993 for the start of a long-term assignment.

In spite of the late start, some progress was made by the specialist. Under his leadership, the two tasks conditional to the Credit Agreement of 1) designing and introducing a system of continuous bank supervision and 2) designing and introducing a system of bank reporting were achieved. A continuous bank supervision system of assessing the viability of a bank on the basis of its capital, assets, management, equity and liquidity, known as CAMEL, was implemented and with the help of the advisors at the NCBs, financial reporting by the NCBs to the BB was also designed and implemented.

In order to improve commercial bank reporting requirements, emphasis was placed on 1) the introduction of a loan problem early warning system, known as EWS, and 2) the CAMEL system. These two systems were designed to be the off-site surveillance system. The surveillance system gave the bank inspectors a methodology to analyze reports of the banks, identify possible problems, and propose remedies. Training for bank inspectors was included as a part of the improvement process as well as the development of a BB unit which monitored large loans.

FSRP TA consultants assisted NCB personnel in developing monthly bank reports which allowed the off-site bank inspectors to review current bank financial data, check the banks compliance with financial ratios, identify cases of interest rate non-compliance, and prepare a summary of findings and recommendations.

Compliance with the two bank supervision conditions of the Credit Agreement is considered to have been achieved with the implementation of the off-site surveillance system. However, the name of one of the elements of the surveillance system, the EWS, is a misnomer. Based on the Bangladesh loan classification system, a loan is not substandard until it is from 10 to 24 months past due. With such a standard, an early warning doesn't warrant much attention.

The CAMEL system has proved to be especially helpful and it is the backbone of the off-site bank evaluations done by the bank inspectors. The evaluation of four of the five points—capital, assets, equity, and liquidity are rated based on the financial data submitted monthly by the banks. Management assessment is a subjective rating which is based on the other four points plus the overall banking skills of management.

Training was the principal focus of the project's bank supervision activity. Training involved the preparation of a training manual for off-site supervision, training on the use of the EWS and the CAMEL system, and training on the use of the complex project-prepared loan classification manual.

The loan classification reform which the GOB agreed to, as a condition to the FSAC, resulted in the December 1989 reclassification of bank loans. The loan classification reform measures required for national commercial banks were also bank supervision reforms because loan classification provides the basic structure for the bank inspectors' loan examination work. In order to provide for loan classification, a manual<sup>3</sup> was written in accordance with BB Circular Number 34 of 1989. The circular requires the banks to make their own classification in contrast to the previous practice of requiring the BB to make the classifications, at least one on December 31, each year. The purpose of the manual is to assist the banks to: 1) carry out classification at the branch level, 2) determine the requirement for provision for bad and doubtful debt, and 3) determine the amount of interest income to be suspended because of the bad loans.

In regard to the supervision-related reforms for BB, there were also reforms related to bank reporting, bank supervision staffing, training, and in upgrading the Credit Information Bureau. As mentioned earlier in this report, improved reporting at the NCBs resulted from project computers, software, and technical assistance, plus the reporting done on the EWS and CAMEL systems. As a result of reform efforts, the number of bank supervisory personnel nearly doubled. The majority of the bank supervision personnel of the Bangladesh Bank have their offices at the Bank. There are 150 bank inspectors in the Department of Banking Inspection; there are 120 bank inspectors in the Agricultural Credit Inspection Department; and there are 60 bank inspectors in the Bank Inspection Implementation Department. Off-site, there are two Bangladesh Bank supervision offices with 30 bank inspectors in each office. Training continues

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<sup>3</sup> Loan Classification Manual; Dhaka; Dept. of Public Relations and Publications, Bangladesh Bank; undated.

to be the focus of bank supervision, as well as technical assistance. It is now provided by the IMF following the departure of the FSRP TA bank supervision specialist.

Supervision-related reform was the work done by the USAID project at the Bangladesh Bank Credit Information Bureau. Soon after the project began, efforts were made by the experts to upgrade the Credit Information Bureau by computerizing its activity. The bureau had been established at Bangladesh Bank to monitor loan concentration and collect data on large loans to delinquent borrowers who would be ineligible for further credit. While the Credit Information Bureau is processing a large number of inquires, banks are not required to consult with them before extending credit. The lack of enforceability of use plus inefficiencies in the operation of the Bureau have caused its usefulness to be marginal at this time.

The supervision-related reforms required of the NCBs are considered to be in compliance with the Credit Agreement of the World Bank. However, there are a number of serious problems that continue to plague bank supervision. The principal issue that the bank supervision inspectors face is the extremely poor loan portfolio quality that has resulted from what is referred to as a "default culture." Other bank supervision issues identified as needing improvement are:

- a. The authority of bank inspectors to deal with banks is limited. The lack of authority can result in poor inspections and in a lack of follow-up.
- b. Entry-level personnel standards for new employees do not exist and as a result many new hires have no background in finance, accounting, or computer applications.
- c. Government personnel rotation policies result in frequent turnover in skilled positions—a practice that results in trained personnel leaving too soon.
- d. Salary structures and promotions based on merit are lacking, leading to low morale and performance.

### *Lesson Learned*

It comes as no surprise that the lesson is that effective bank supervision is not possible in the present environment of a "default culture" and government owned banks. However, progress can be made toward improved supervision through training, improved techniques and better bank accounting data. The FSRP TA provided worthwhile training for the bank supervisors and the off-site surveillance system introduced by the project proved to be effective. More accurate and complete bank accounting data is needed to improve bank supervision.

*Recommendation*

The training that is presently being done by the IMF bank supervision consultant in the area of loans and loan administration should be continued. If the loan accounting system proposed in this report becomes a reality, the bank inspectors could do a better job. The accounting system would provide the basic information for loan classification which could result in more accurate data for the bank inspectors. The system could also furnish the needed data for tracking loan recoveries, for checking compliance with banking loan regulations, etc. The bank inspectors would need to be trained in the operation of the accounting system. The data produced by the accounting system would need to be provided to them, and they would need adequate computers and software to develop their reports based on the data.

#### **IV. MANAGEMENT INFORMATION SYSTEMS (MIS) AND COMPUTERIZATION**

The inputs from the project for computerization and Management Information Systems (MIS) for the banks within the FSRP TA have been provided through an uncertain and delayed schedule of implementation. All four NCBs and the BB have benefited through the project inputs in hardware, advisory services, training and systems design, but the expected outputs have not been achieved as originally designed. The problems and causes of under achievement and prospects for new TA are discussed below.

##### *Impact*

The impact on Bangladesh's financial system is considered to be positive with the introduction of computerization along with MIS, LRA, PPS and NLLC, and these provided management with timely information for critical assessments and decisions for action. The level of achievement in this regard varies among the NCBs. Ranking of the NCBs in terms of achievement is, possibly, in the order of Janata, Sonali, Agrani and Rupali Banks.

The intended levels of output have not been fully achieved even in the best scenario, Janata Bank. This results from the deficiency in maintaining the planned schedule of providing inputs in hardware, advisory services and training arising from a variety of factors. In the end, all planned inputs have been supplied. The remaining deficiency in the system is the lack of adequate systems development, programming, and software support.

An understanding of the end product, such as performance ratios, is hazy. The orientation of senior management, AGM and upwards, with the new computerized MIS reports seems not to have been adequately emphasized in the project. As a result, senior management often seems to be unaware of the importance of using and promoting the new system for management effectiveness.

##### *Degree of Achievement and Sustainability*

The project has been able to apply all planned inputs, but though a delayed and unpredictable schedule. The result has been that the intended level and quality of outputs have not been achieved at the end of the project.

In some cases the deficiencies are expected to be covered over time by each bank's own effort and resources, for example Janata. However, some degree of intervention from a new project seems to be needed to maintain the momentum of progress achieved so far.

Sustainability of operational improvements in computerization and MIS will be relatively difficult in this age of fast changing technology. Even in the best prepared bank, Janata, it would be difficult to maintain reasonable progress without additional project-based support in system and manpower development as well as hardware and software improvements.

#### *Lessons Learned*

- (1) Top management orientation and their active involvement are critical for success of project interventions. This was not appropriately planned and exercised in the FSRP TA.
- (2) Personnel policy of the NCBs must be tuned to pragmatic management requirements for effectiveness. Also, necessary coordination with the Ministry of Finance (MOF) is needed in this regard.
- (3) Incentives for workers requiring knowledge have to be identified in order to retain highly skilled personnel in the area of MIS and computerization.
- (4) The maintenance of implementation schedules and the quality and quantity of inputs are of prime importance. The managers of any future project should take note of these elements.

#### *MIS Limitations*

However, an MIS, even with limitations in terms of its purpose and scope, has been an important element in the FSRP TA implementation. The design of the system, including processing and reports, deals with income, expenses and contributions data from the branch level to the head office. The final output is a one-page collection of overall MIS indicators and ratios. These are quite useful when done properly and timely. But this limited MIS report is rarely used in making decisions as found in management responses.

The general concept of a computer-based MIS would call for the computerization of all activities of a bank and the creation of a structured and dynamic database with an operational network connecting all branches and departments of the bank. This would enable a true MIS to function in a timely mode, helping to make management decision making more effective.

The current MIS is a first step in the process of developing a framework towards an overall MIS. Future assistance should address the broad MIS goals defined above.

## *Janata Bank*

### Computerization

Computerization is an area where Janata Bank has gained much from FSRP TA. The inputs and advice came in the forms of

- Training at home and abroad
- Supply of hardware
- Supply of software

### Mid-Range Computer

A mid-range computer was installed in mid-1994 with reconciliation work as its first task. However, the expected compilation of reconciliation work through the mid-range computer was not possible due to insufficient skilled manpower on the sophisticated software. Moreover, the software package purchased from Agrani Bank, which was supposed to be compatible on Janata's equipment, did not work. So an alternative with a PC-based software package was developed by Janata computer division officers to complete the reconciliation work. In addition, the system is processing salary, PF, Returns, Personnel Data, CIB, Accounts Consolidation, preparation of the Test Key Table and areas.

The Large Loan Reporting System is at the testing stage and will be implemented soon. A local area network (LAN) has been established in the accounts and computer divisions. The system at present cannot cover all the units as it lacks a central data based system.

### Branch Automation

A total of eight branches in Dhaka were automated, and 20 others are under completion in the country, including Khulna and Chittagong. In addition, ten divisional/area offices were also brought under automation in 1996 while another was done in 1995 in Chittagong. The recommendations of FSRP TA are being carried out progressively by the Janata computer division. A total of 33 computers, 18 of them latest models, were provided by the TA to Janata Bank during the term of the project. Meanwhile, installation of four other computers in UAE with integrated software is on the agenda. The bank presently is developing an integrated software which is needed for installing a computer network facility at the branch level, and it purchased several PCS from various sources. At the head office, 105 PCS are in use including 33 provided by FSRP TA

### Utilization of MIS

The summarized information on asset and liability management and comparative yields on key financial indicators has been prepared by Janata Bank, like other NCBs, on a monthly basis since 1993 and submitted to Bangladesh Bank and the MOF. The one page report is handy and useful in measuring the monthly profit position of the bank at a glance. Monthly MIS reports for

branches have been initiated throughout Bangladesh. It was introduced at a late stage of FSRP TA programs in 1995.

The importance of the tool was realized by the management as it has the potential to detect the faults of the system, in projecting the volume of loss and in minimizing losses. It was launched with the goal of equipping managers with the latest information on the whole bank position as well as on each branch. At the end of every month, management is updated with one's loss/profit margin and can thus compare a branches's contribution to the whole bank. The FSRP TA team motivated the branches to prepare the MIS reports manually on a monthly basis.

The branches, including the corporate, regional and area offices, responded to the extent of 30 per cent by March 1996. Gradually MIS became established and has become popular among the managers and second officers. The manually prepared reports received from branches, regions and divisions are checked and reviewed monthly. In addition, ten area offices have been brought under automation recently. Officers of these zones have also been trained in preparation of the reports from areas, regions, and branches since August 1996.

At the head office, the FSRP TA cell continues to prepare a monthly MIS report of every branch on a semi annual basis. A total of 3,364 officers were trained on the tool up to December 1995. 15 review courses on MIS were conducted from January 1996 to October 1996 for 232 participants.

The impact of the MIS tool is considerable and may assume more importance. The ability to monitor both the bank's and individual branch's interest, income, and expenses through the MIS report has helped show the profitability of the Bank.

#### *Sonali Bank*

Sonali Bank has its own mid-range computer system, AS/400, for the bank's major data processing needs including inter-branch reconciliation, personnel/PF, and other applications. It received 35 PCS from FSRP TA and procured 177 PCS with its own resources. It has computerized 33 branches so far.

MIS data processing is done on the PCS provided by the project. The work is based on two forms, F-12 and F-42, collected from branches. The total work involves data entry and processing as follows :

- 844 statements from Dhaka Division branches
- Loan Classification of all branches
- Budget figures, about 1300
- Goals and target figures

- Recovery position of all branches.
- Bank financial information of branches in three other divisions

The PCS have been distributed for use to the Central Accounts Department, MIS Cell, SRS - 1 Work, FSRP TA consultant's offices, FSRP TA credit cell, PPS Cell, GM's Office in Chittagong etc.

### *Agrani Bank*

Agrani Bank also had its own mid-range computer system, AS/400. It has been using a computer since 1967. It received 35 PCS from FSRP and procured 61 PCS from its own resources. Thirty-three branches have been computerized. The mid-range computer is used for major data processing applications of the Bank. PCS have been distributed to user groups within the Bank's FSRP TA office.

The MIS group performs the following major processing works :

- Production of monthly MIS statements of bank, circle, zone and branches.
- Preparation of comparative reports monthly, yearly or any other period as needed.
- Preparation of comparative performance reports of circle managers, zonal managers and branch managers.

The computer group is involved with new program development to be used by the circle, zone, and head office divisions where the FSRP TA computers are installed. In addition, development and maintenance of old programs are undertaken to accommodate new requirements.

### *Rupali Bank*

The FSRP TA activities started in Rupali Bank in March 1992. The main goal was to increase the operational efficiency of the Bank for making it viable in a competitive environment.

The project introduced a one page MIS report, the Bank's Performance Statement, for the bank; it is now being prepared on a monthly basis since January 1994 and is based on the Statement of Affairs of the Bank. MIS reports for zonal offices and branches have been prepared since January 1995. This report seeks to provide vital information on financial performance for a specific period to the top management for timely and proper decision making and with reasonable accuracy.

The Bank previously had only one personal computer. The FSRP TA supplied 13 personal computers and one mid-range computer (Mini Computer). Later the Bank, at the initiative of FSRP TA, also purchased some more PCS from its own funds

The FSRP TA project also arranged vendor's training for the Computer Department personnel. Forty-four bank officials received training on computers. Computer Department programmers have been receiving training since late 1993 on programming and mid-range computer operations. The required number of personnel, including consultant, project/operations manager, system analyst and PC support analyst have recently been appointed to carry forward the implementation of the 3-year Computer Plan by phases.

The MIS was supposed to eliminate a good number of redundant and unneeded statements with which the branches were overburdened. But, this was not done. Instead the branches were assigned with the work of implementing the new FSRP TA tools involving more hours of work.

### *Bangladesh Bank*

#### Computerization, Main Actions And Inputs

A mid-range computer, AS/400, has been procured, and all programs have been converted to run on it. The development of applications has started, and the computer is now fully operational.

PCS have been introduced throughout the bank. Widespread use of word-processing and spreadsheets has been going on. Research Departments are using econometric applications regularly.

#### Areas For Further Work Needed

- |           |  |
|-----------|--|
| Mid-range | <ul style="list-style-type: none"><li>• Procure expanded memory for the AS / 400.</li><li>• Communication to home offices of scheduled banks.</li><li>• Applications development</li></ul> |
| PCS       | <ul style="list-style-type: none"><li>• Establish LANs</li><li>• Applications development</li></ul>  |

#### *Overall Assessment of the FSRP TA Period*

The shift to the mid-range computer worked well, and the Computer Department did an excellent job. PC use is not yet satisfactory but is improving. At the start of the project, the BB had an old main frame computer with batch processing and limited computational power, and essentially no PCS. Econometric efforts were limited due to a lack of computing power. Now, major steps toward computerization have been accomplished through project inputs, and the entire environment of BB has been transformed in respect to the effective use of computers.

**SUMMARY STATISTICS FOR COMPUTERS SUPPLIED**

PCS	Total	Sonali	Janata*	Agrani*	Rupali	BB*	BIBM/MOF
Funded by FSRP: 1/92- 6/95	107	14	17	18	13	42	3
FSRP: 7/95-6/96	90	20	18	17	11	24	0
Client - To-Date	399	177	137	61	6	18	0
	(67%)	(84%)	(80%)	(64%)	(20%)	(21%)	(0%)
Totals	596	211	172	96	30	84	3
PCS in Branches by January '92	14	0	1	13	0	0	N/A
PCS in Branches by June '96	66	18	15	33	0	0	N/A

\*FSRP TA also funded IBM AS/400 Mid-Range Computers for BB, Janata and Rupali. Sonali and Agrani Mid-Range Computers were client-funded.

Note: Percentages in parentheses are the client-funded PCS as a percent of total PCS.

## **V. DEVELOPMENT OF THE MONETARY MANAGEMENT TECHNICAL UNIT (MMTU)**

The USAID project provided significant assistance to the development of the Monetary Management Technical Unit (MMTU) of the BB. A long-term expatriate macroeconomist was assigned to the unit as an advisor, and PCs along with the appropriate software were part of the equipment component. The chief of the party of the USAID FSRP was located within the BB but not within the office of MMTU/FSRP. The technical unit dates back to 1984 and its objective was to analyze interest rate policies and to study other questions related to finance and economics. Another MMT Unit had existed within the BB but was merged into the FSRP office. The scope of work for the USAID project followed the same path as the previous work of the unit including advice to senior officers through studies of interest rate policies, apparent subsidies for government determined interest rates, and recommendations on management of BB bonds, capital markets, and rural and private banking. Late in 1992, after the project had begun to move forward, it is reported that the staff at MMTU numbered from 26-30 people, including five officers. Two other officers were receiving training in the United States. When the project was fully operational, the studies produced by the unit were primarily collaborations between the FSRP TA staff and the professionals in the BB.

The second midterm evaluation in June 1995 concluded that the training and studies associated with the MMTU had been completed "but on the face of it the impact was limited." However, this current evaluation of the project believes that the output from MMTU has a better record. As the project picked up momentum, a more clearly delineated output emerged. The expatriate macroeconomist worked with the bank's professionals to create a solid research effort not only for BB but also for the MOF. Previous moves to form a research capacity through a Policy Analysis Cell (PAC) had been abandoned at the Ministry of Finance.

Monthly reports were prepared by MMTU for the meetings of the Monetary Policy Committee that focused on changes in monetary variables within the economy. Interviews by the present evaluators brought praise for these reports as well as other specific papers produced for the policy committee. The governor of the Central Bank also requested papers on different topics. Some of these were apparently for news conferences. Requests for research also came from the banking secretary in the MOF, as well as some for the Minister's use. Articles written at MMTU may be published in the banking journal or at BIBM; however, the BB does not have a periodical where articles can be published or a publication to provide the layman with economic and banking information.

Another important accomplishment of the FSRP TA was the establishment of seminars for the staff of the BB, which could also be attended by others. Professional economic papers were written for these meetings. Reports and interviews identified nine seminars from the start of the

TA through Dec. 1996. The macroeconomist on the evaluation team examined about 60 per cent of the seminar papers and believes that they are of professional quality. The seminars averaged more than eight papers per session for a total of about 72. The papers and seminars were reported to be well received, and they intend to continue with them. The expense of the seminars was borne by the TA project but was later picked up by the Asia Foundation. The BB is now financing them and is reported to be paying 2500 Tk per seminar paper. Senior bank officials believe that the staff at MMTU is capable of producing quality research on a continuing basis. The expatriate macroeconomist is attributed with playing a significant role in the initiation of the seminars and in helping the staff to do professional research.

The creation of a data bank of financial and economic statistics at the MMTU was the work of the expatriate macroeconomist and is regarded as being a major accomplishment of the project. One hundred separate time series are included within the data base. Unfortunately, most data entry clerks have been withdrawn from MMTU, and official maintenance of the data bank appears to be in question. Nevertheless, one professional is updating the figures, which he believes are significant, especially within his area of interest. Considering the situation, the bank should review all of the time series within the data base, determine those most important, and then select 50 to 60 per cent that must be maintained for decision making. Such an action might be effective for the bank and would reduce the cost of data entry and maintenance. Training was provided as well to the staff of the MMTU.

At the present time, a visit to MMTU does not create the impression of a vital and enthusiastic organization. Many staff members have been transferred to other offices in the bank, and there is a feeling of uncertainty. Further TA would help MMTU. Research departments are important for central banks because they furnish vital economic and financial information to bank decision makers on a variety of issues of importance to the nation. Frequently, central bank research departments provide the best knowledge and insights on the economy. Moreover, their output, generally through published and unpublished papers, is prized both at home and abroad.

## **VI. ASSIST MONETARY POLICY REFORM**

A financial system, in order to create optimum conditions for a growing economy, requires a rationally directed monetary policy. Recognizing this, the World Bank, IMF, and USAID directed attention to this area. The IMF began providing technical assistance to the Bangladesh Bank to conduct open market operations. For instance, a tendering mechanism for selling BB bonds and treasury bills to commercial banks, and the timing and selling of these instruments in order to change the money supply, were important component in the initial IMF program.

Before the 1990's, the BB, or central bank, maintained a relatively strict and inflexible control of monetary policy based on permissible interest rates within fixed bands for different sectors of the economy. The rediscount window of the BB, which is the mechanism by which the commercial banks can obtain funds for their own lending purposes, was not correctly utilized. Changing the rediscount rate is used typically to influence bank lending, but with government-directed lending, rates could not influence policy. Changing reserve requirements for banks was apparently used infrequently. On advice primarily from the World Bank and the IMF, the government decided to change its philosophy to indirect methods. The bands established by sector to set interest rates were slowly abandoned. Furthermore, open market operations relying on central bank and government bonds were inaugurated in order to provide indirect controls over the financial sector. In 1994, an IMF advisor arrived to assist the BB in open market operations. Progress has been made in this area as shown by the decision of the government to allow the removal of the cap on the amount of bonds that can be used as well as setting their interest rates by the open market committee.

Both the USAID project paper (PP) and scope of work for the two contractors showed a program for monetary policy. The PP lacked specific activities that the project would do, but the scope of work referred to supporting the work of the Technical Unit of the BB. The project paper specified that two topics should be addressed in the final evaluation of the USAID assistance; these are reduction in the structural rate of inflation and implementation of more flexible monetary policies.

USAID's FSRP TA provided worthwhile indirect assistance to the formation of monetary policy through the work of the MMTU. Nevertheless, direct influence on monetary policy by the project is not evident. There is no way to determine if the project helped to reduce the rate of structural inflation. Overall reforms in the financial sector, which began in the 1980's, may have helped slow the rate of structural inflation, but in reviewing the activities of the USAID TA, it is doubtful whether the project did. In regard to more flexible monetary policies, these policies were introduced in 1991 and earlier. Implementation of the USAID project began in 1992. Since then no major monetary policy reforms have taken place. Nevertheless, it is reported that changes in policy by the committee during its biweekly meetings have been helped by papers

produced by the MMTU. Consequently, the project can claim indirect help, but it is not measurable.

## VII. THE LOGFRAME AND IMPLEMENTATION

Project inputs were all supplied, about 100 deliverables, including long- and short-term consultants, computers, and computer-related items. Taking into consideration the shift in emphasis of the project toward training, the inputs were necessary to achieve stated project goals. The outputs of the project have been discussed to the best of the team's knowledge in the previous chapters.

### *The Logframe*

In contrast to the original logframe containing numerous goals, the logframe of 4/4/94 narrowed them. The results have been mixed, with much of the influence being indirect. The logframe goal of implementing market-oriented central bank monetary policies was only indirectly achieved. Of less success were major goals in areas that were not as feasible to begin with. Examples are accelerating economic growth, employment generation, and increasing savings and investment. In the long-run, these goals will be fulfilled as long as the reforms are continued in banking, and also as long as what the TA has given proves to be sustainable. There are reasons for optimism that both will be achieved.

Expanding the private bank's share of the market is primarily linked to privatization of the NCBs. This can be accomplished with a concerted drive for efficiency. With improved efficiency in the banking system, brought about by the reforms, not only large enterprises but also small and medium-sized businesses should benefit. In addition, competitive interest rates should make borrowing easier for small entrepreneurs.

Human resource development, undoubtedly, will continue improving lives, especially of middle level income people and women. Various training programs of bank employees have already benefited some women, who have been about 10 per cent of trainees, and in indirect public education programs around 20 per cent are women. Non-traditional wholesale loans by NGOs have impacts on thousands of people, and such loans have a very high rate of women borrowers. A sound financial system is needed to continue help to the economically less privileged.

Positive results for the project include praise from different sources for the advisors supplied by FSRP TA. With possible a few exceptions, they possessed a very good record.

### *Rate of Implementation*

The pace of implementation was slow, falling in line with foreign assistance projects of more than one international organization. The PP was signed in mid-1990, but a contract with the two contractors was not signed until after a full year. It was not until February 1992, eight months

later, that the contractors managed to get implementation started in the field. A USAID graph shows a mobilization gap of 110 person months between July 1991 and July 1992. By the middle of 1992, the consultants were in place. Visible imprints on the banking sector are expected to show up by the middle to late 1990s.

Another drag on implementation was the slow delivery of computers. The USAID project status report of 10/1/94–3/31/95 mentions that computerization was “behind schedule” with “payment to contractors withheld for that component.” The team found that the delayed delivery of computers had held back progress in computerization at the NCBs and BB.

Finally, implementation was evidently hindered by changes in project direction. Moreover, each one of the NCBs and the BB responded differently to project interventions creating a differing pattern of responses. In addition, the USAID FSRP TA’s destiny was linked to related projects of the World Bank and IMF. For the evaluation consultants, sorting out the specific USAID contributions as distinct from the other two has been one of education, and the documentation on the project tended to be conflicting regarding goals and outputs.

REVISED LOGFRAME OF APRIL 1994  
(abbreviated)

<b>Objectives</b>	<b>Outcomes</b>
Accelerate the rate of economic growth and employment generation.	In the long run, these two goals should be achieved. At the present time, it is too early to determine.
Increase private domestic savings and investment.	
Improve functioning of the formal financial system.	The functioning of the financial system, especially banking, has been improved.
Implement market-oriented central bank monetary policies.	Financial and economic studies were submitted to the Open-Market Committee and BB officers trained in policy analysis.
Improve central bank supervision of the commercial banks.	Bank supervision systems, CAMEL and EWS, were accepted and BB officers trained in their use. Credit Bureau operations were upgraded.
Expand private bank's share of commercial banking.	New private bank licenses have been issued. One NCB is moving to privatize.
Develop commercially viable NCBs, parts of which may be suitable for privatization.	There is better reporting of NCB accounts and activities through the new MIS and Performance Planning reports.  Management, credit, and operational systems were implemented and training provided in their use—primarily for MIS reports, performance planning, and lending.  Large numbers of bank personnel were trained, especially in computers.



**INDIVIDUALS INTERVIEWED**

Erfanuddin Ahmed	Janata Bank	Deputy General Manager MIS & Planning Division (Including FSRP Cell)
A.S. Ashrafuddin Ahmed	Agrani Bank	General Manager
Zia Ahmed	USAID/Dhaka	Project Officer
Md. Sader Ali	Agrani Bank	Deputy General Manager
Habibullah Bahar	Bangladesh Bank	General Manager MMTU Research Unit
Jan Bove'	IMF	Resident Representative
A. Chanda	Bangladesh Bank	Joint General Manager MMTU/FSRP Unit
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Toufic A Choudhury	BIBM	Faculty Member
Rafiqul Karim Chowdhury	Rupali Bank Ltd.	Managing Director
Forrest Cookson	American Cham/Comm	President
Md Abdul Hamid	Janata Bank	Asst. General Manager Computer Division
H. Hamid	Sonali Bank	FSRP Ntl.Consultant
Shah Abdul Hannan	Ministry of Finance	Banking Secretary
Chowdhury Mohidul Haque	Bangladesh Bank	Deputy General Manager MMTU/FSRP Unit
L.M. Moniam Hossein	Rupali Bank Ltd.	General Manager

Anwarul Kabir	Janata Bank	Deputy General Manager Computer Division
MD.Iminul Islam	Agrani Bank	General Manager
Khondkar Ibrahim Khaled	Agrani Bank	Managing Director
Nils W. Larsen	Bangladesh Bank	IMF Banking Supervision Advisor
Joslin Landell-Mills	Bangladesh Bank	IMF Advisor
Winston McPhie	USAID/Dhaka	Deputy Director, OEE
Md. Morshed Ali Mullick	Agrani Bank	Deputy General Manager
Golam Mustafa	Janata Bank	Managing Director
Anwarul Haque Qureshi	Agrani Bank	Deputy General Manager & Secretary
Bazlur Rahman	Rupali Bank Ltd.	General Manager
Amanya Raihan	BIBM	Faculty Member
Md. L. Ranom	Sonali Bank	Deputy General Manager, FSRP
Owaise Saadat	World Bank/Dhaka	Manager, Private Sector Development & Finance
Bandana Saha	BIBM	Faculty Member
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John Swanson	USAID/Dhaka	Director, Office of Food & Agriculture
M. Taheruddin	City Bank Limited	Managing Director

*Final Evaluation of the Bangladesh Financial Sector Reform Project*

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## METHODOLOGY OF THE EVALUATION

The evaluation of the FSRP technical assistance project relied heavily on interviewing as a technique and was conducted by all team members, two or three members, or as individuals in meetings with officials. Most interviews were with the four NCBs, and these were in-depth sessions to gain an understanding of skills learned and improvements in bank operations.

The World Bank, IMF, BB, and BIBM were other important avenues for information. These institutions have been active in the reform of the financial sector. Others, including a private bank, were also helpful. Inquiries focused on project successes and failures; inquiries at the NCBs particularly examined computerization, the MIS, and bank supervision. At the time of the mission, all expatriate consultants except one had departed; the last one, a macroeconomist formerly at the BB, was interviewed.

Unofficial and official documents were reviewed throughout the field investigation. Periodic progress reports detailed the implementation and fulfillment of goals. The office file at the mission also provided insights, especially on extending the project for 6 months. The Project Paper, the primary consultant's scope of work, and the Logframe of April 1994 were important. Likewise, the two mid-term evaluations of the project proved helpful, especially the second one of June 1995. The final report from the two primary consulting firms contained substantial information. Numerous Bangladesh publications gave important insights, especially Bank Parikrama published by BIBM.

The Project Paper stressed the importance of obtaining statistics on the banking sector at the conclusion of the project to measure the project's success. To satisfy our own task of evaluating accomplishments, a large portion of time was allocated to gathering financial data on the four NCBs. Although insufficient time had passed to demonstrate statistically successful outputs, the team went ahead. Trying to establish firm baseline data was difficult because of delays in implementation. Nevertheless, a questionnaire was developed to acquire pertinent financial data and given to each of the four NCBS. The results are presented in the section on bank performance.

An informal focus group was held at Janata Bank by one of the local consultants on the evaluation team, highlighting many favorable aspects and outputs generated by the project, and focusing on training and computerization. Respondents to questions gave approving answers regarding their attitude to project initiatives. All team members were present.

Individually or as a group, the team observed the results of the training, computers supplied, and systems introduced on different occasions. Team members observed classes in session in the NCBs, people working at computer terminals, and reports on bank financial activities being generated. Team members also questioned employees involved in these activities.

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## TROPICAL RESEARCH and DEVELOPMENT, Inc.

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*May-September 1996.* **Chief Technical Advisor,** Economic Development Strategy, United Nations, Macedonia. Formulated an economic development strategy for Macedonia. Assessed current problems of the business sector, privatization, investment opportunities, and analyses of finance, foreign trade, employment, etc.

*January-March 1994.* **Institutional Analysis and Project Evaluation Specialist,** Panama. Member of a small team to draft detailed recommendations for a technical assistance project to improve the evaluation of proposed investments and the management of the government's programming projects in Panama.

*February-March 1993.* **Evaluation Specialist,** USAID/OFDA - U.S. Geological Survey Projects, USAID, Guatemala, Ecuador and Chile. Evaluated Volcano Disaster Assistance and World-Wide Earthquake Risk Management. Performed field work and was responsible for production of the final report.

*April-May 1991.* **Evaluation Specialist,** Technical Cooperation among Developing Countries (TCDC), UNDP, Mexico and Peru. Evaluated the TCDC program in Peru and Mexico. Was also a member of a larger team that analyzed the impact of the program in Argentina, Uruguay, Pakistan and Turkey.

- 1990–present. Economics Instructor*, Averett College, Virginia. Teaching in an MBA program at night, including courses in Managerial Economics and Economics for Managers (encompassing the application of theory to business problems).
- June–October 1990. Evaluation Specialist*, UNDP, El Salvador. Provided recommendations on the evaluation of investment projects in the public sector for the Ministry of Planning and agencies including analysis of costs and preparing scopes of work for projects to be submitted for international bidding in El Salvador.
- July 1989–February 1990. Team Leader*, Regional Industrial Growth and Industrial Pollution Control project, Asian Development Bank, Pakistan.
- January 1998–June 1989. Director of Economics Division*, Phoenix Associates, Bethesda, Maryland. Performed economic studies and drafted proposal such as studies on Private Sector Management Training in Peru for USAID, Comparison of International Financial Institutions and Private Sector Loan Terms for Nonfuel Minerals Projects in Developing Countries for Bureau of Mines.
- January–August 1988. Team Leader*, National Economic Development Authority, Asian Development Bank, Philippines. Led a large multi-purpose project encompassing recommendations on methodologies for project evaluation and establishment of a computerized data bank for public investment projects at the National Economic Development Authority.
- January–September 1987. Dean of Graduate Program*, Benjamin Franklin University, Washington, DC. Taught classes including Managerial Economics, Financial Markets and Institutions and Research Methods. Also performed administrative tasks including, recruiting and negotiating conditions of employment with adjunct faculty, oversee teaching and evaluating faculty, and counseling students on programs of study. (Benjamin Franklin University was acquired by another school and is no longer in existence in that capacity.)
- April–May 1987. Economic Analyst*, USAID Latin America/Caribbean Bureau. Performed analysis of project documents, including project identification documents and project papers to determine the effectiveness of economic analysis and whether the documents were in accordance with USAID guidelines.
- 1984–1985. Director of Economics Division*, Phoenix Associates, Inc., Bethesda, Maryland. Responsible for the management of economic studies including a UNDP project for the establishment of a National Computerized Data Bank for Nigeria.
- August–September 1984. Economic Analyst*, Commodity Import Program, USAID. Developed a methodology on evaluating the economic impacts of the Commodity Import Program. The results of this analysis along with the findings of two other team members were included in a USAID publication on the evaluation of the Commodity Import Program.
- September–November 1983. Marketing Specialist*, Interamerican Development Bank, Uruguay. Conducted a study on the international marketing of dairy products from Uruguay.
- 1983–1988. Independent Economic Consultant*. Additional representative assignments include:

- Study of *Capacity Utilization within Manufacturing in Pakistan* for the World Bank.
- *Investment Policies for Bolivia* for USAID.
- Revision of Project Document on *Industrial Policies in the Maldives* for UNDP.
- Analysis of *Demand for Management Training in Peru* for USAID.
- Economic analysis of proposed *Education Grant to El Salvador* for USAID.
- Recommendations on *Technical Assistance for Industry in Bolivia* for UNDP.

**1972–1982. Senior Industrial Economist**, United Nations Industrial Development Organization, Vienna, Austria. Supervised analytical macro industrial studies of developing countries including drafting the terms of reference in consultation with Government officials, often at the ministerial levels. Selected experts. Oversaw field activities. Edited final reports for conformity with economic logic and recent developments in world conditions. Established methodologies and was responsible for the identification of investment projects and pre-feasibility studies for projects. Had responsibility for overall direction of three development centers in Kenya, Argentina and Somalia. Lectured and in charge at industrial planning course in Berlin, East Germany covering eastern European planning for industrial sectors. Analyzed industrial conditions and wrote chapter on employment for ILO Employment Mission to the Dominican Republic. Acted as officer-in-charge of the Industrial Planning Section.

**1969–1972. Economic Advisor**, USAID, Santo Domingo, Dominican Republic and Washington, DC. Evaluated and forecasted changes in the major indicators of the Dominican economy such as national income, balance of payments, etc. Analyzed requests and advised on recommendations for subloans granted under USAID lending programs. Analysis of costs and projected profits were critical components. Supervised the work of an economist and a statistician. Served as international economist in the Africa Bureau of USAID for one year involving economic analysis related to loans. Also performed financial analysis of the Housing Guarantee Program, including missions to Kenya and Uganda. Researched the following (illustrative):

- Industrial Growth and Industrial Development Criteria
- Wages in the Dominican Republic
- Possible Errors of Estimation in GDP Accounts
- Sources of Demand and Supply of Dollars in the Parallel Market
- Financial Reports on Housing Investment Guarantee Program for Kenya and Uganda (Africa Bureau)
- Proposed New Guidelines in Housing Investment Guarantee Program in Africa (Africa Bureau)
- Kenya Resource Gap Analysis (Africa Bureau)

**1966–1969. Senior Economist**, Federal Reserve Bank of Dallas, Dallas, Texas. Evaluated and forecasted economic conditions as an aid in formulating monetary policy. Moderated a group of five economists in preparing annual forecast of economic and financial conditions. Maintained the bank's Index of Industrial Production. Published ten signed articles in the bank's *Business Review*. Advised the President of the Bank on national economic conditions. Was a member of the Committee on Business Analysis, a national group of analysts of the Federal Reserve System.

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John W. "Jay" Gardner

**Position:** Banking Specialist

**Expertise:** Bank management and operations, credit analysis, banking systems, trade and financial analysis, loan guarantee programs, commercial banking

**Education:** Graduate, Bank of America Management Program, San Francisco, California, 1959–1964. (A post-baccalaureate program for candidates selected on a nationwide basis for in-depth banking education.)  
M.B.A. program, 15 credits, University of California, Chico, California, 1962–1964.  
America Institute of Banking, 15 courses, San Francisco, California, 1959–1962.  
B.A., Political Science, Oklahoma State University, Stillwater, Oklahoma, 1959.

**Countries:** *Asia:* Indonesia, Malaysia, Thailand  
*Africa:* Egypt, The Gambia, Guinea, Swaziland, Tanzania, Uganda, Zambia

**Languages:** English (native), French

**Nationality:** USA

**Professional History**

*1984–present. Independent Consultant.* Illustrative assignments include:

*January–February 1996. Technical Report Writer, USAID.* Was the technical report writer for an international development study.

*September 1995–January 1996. Financial Analyst, USAID, Egypt.* Provided technical assistance in financial analysis for a privatization study of the Egyptian fertilizer industry.

*October 1993–August 1994. Banking Specialist and Trade Finance Analyst, USAID, Guinea.* Was in charge of designing and implementing the loan guarantee fund for an agricultural marketing investment project. The project was designed to increase agricultural exports through policy reform involving increased credit availability to micro-enterprises involved in marketing, processing, storing and transporting agricultural produce.

*June 1992–July 1993. Project Manager, Village Development Trust Fund Project, United Nations Volunteers, The Gambia.* Managed the village development trust fund project designed to develop policy and to facilitate implementation of micro entrepreneur credit and savings programs on a national level for small entrepreneurs including blacksmiths, market vendors, truck farmers, and fishermen.

*April–May 1992. Credit Specialist, Japan International Cooperative Agency, Malaysia.* Was credit specialist for the design of a small entrepreneur cooperative credit system for fishermen as a part of the national development policy for rehabilitation of the fishing industry's marketing and distribution system.

- July–November 1991. Credit Specialist, African Development Bank, Uganda.* Participated on the micro-enterprise credit system design for the agricultural policy development feasibility study of a joint venture of the Cooperative Bank and a new agricultural Bank.
- March–July 1991. Team Leader, USAID, Zambia.* Was responsible for conducting a comprehensive rural small-entrepreneur credit policy study and for assessing the cost of credit delivery to small farmers and rural entrepreneurs by the agricultural bank, cooperatives, and credit unions.
- October 1990. Team Leader, USAID, Egypt.* Was responsible for assessing a bank credit program for a broad spectrum so small-scale entrepreneurs including persons involved in the manufacture of shoes and paint, restaurant owners, barbers, metal workers, and small retail shop owners.
- April–July 1990. Team Leader, USAID, Swaziland.* Was responsible for assessment of credit for small farmers and entrepreneurs including shop keepers selling agricultural inputs, butcher shops, traders, and market vendors. Designed a pilot loan activity and a guarantee fund as mechanisms for small-entrepreneur credit policy development.
- January 1990. Banking Specialist and Credit Analyst, USAID, Philippines.* Performed an evaluation of two commercial bank loan guarantee programs for small and medium-scale enterprises including shrimp farming, concrete block manufacture, rattan furniture manufacture, and poultry production.
- January 1989. Technical Proposal Writer, USAID, Egypt and Jordan.* Responsible for development and writing of technical proposals for small entrepreneur credit projects in Jordan and Egypt.
- October 1988. Banking Specialist and Credit Analyst, USAID, Indonesia.* Performed an evaluation of a commercial bank loan guarantee program and the small-scale loans including arts and crafts manufacturing.
- August–September 1988. Banking Specialist and Credit Analyst, USAID, Thailand.* Performed an evaluation of the first venture capital company in Thailand and the small-entrepreneur companies in which it invested including shrimp farming, a large meat packing plant, electronics manufacturing, and a vegetable canning factory.
- June 1988. Business and Financial Analyst, USAID, Thailand.* Developed USAID trade and investment report including creations of marketing brochures for investment promotion.
- April–May 1988. Banking Specialist and Financial Consultant, USAID, The Gambia.* Conducted a survey of the financial sector to provide baseline data on commercial, agricultural and development lending. Developed a monitoring plan to assess government progress in formulating and implementing credit policy reform.
- May–September 1986. Credit System Design Specialist, USAID, Uganda.* Was responsible for the design of the management system for a new agricultural financial intermediary institution. Developed the management system—planning, job description, performance standards, financial and accounting guidelines.

- March–August 1985. Bank Planning Consultant*, Cooperative and Rural Development Bank, USAID, Tanzania. Was responsible for the development and implementation of a corporate planning system which included annual workplan, objectives, strategies, individual responsibilities, timetables, and monthly progress reports and monitoring. Conducted planning seminars for senior bank management.
- January 1984–January 1985. Bank Management Systems Specialist*, Principal Bank for Development and Agricultural Credit, Small Farmer Production Project, USAID, Egypt. The project involved increased privatization of the agriculture sector. Was responsible for the design, development and implementation of a project management system and the development and publication of a non-government credit program including a revolving line of credit and loan policies and procedures. Produced policy and procedural manual for training to ensure successful institutionalization of the project.
- January 1981–October 1983. Vice President*, Corporate Services, Federal Intermediate Credit Bank (a \$1.7 billion unit of the Cooperative Farm Credit System), Wichita, Kansas. Was responsible for corporate planning and services—training, transportation, public relations, marketing, policies and procedures, reports and computerized monitoring systems. Responsible for direct supervision of bank training, management development, and credit training. Personally conducted credit and planning seminars. As Executive Committee member, was responsible for developing credit policy and as Data Processing Inter-bank Administration Committee member, was responsible for developing and implementing computer accounting and information systems for two major credit banks and their 70 production credit associations.
- November 1979–January 1981. Vice President*, Administration, Federal Intermediate Credit Bank (a \$1.7 billion unit of the Cooperative Farm Credit System), Wichita, Kansas. Responsible for corporate planning and for the design and development of an internal management and control system for the bank.
- 1964–1979. Commercial banking.* Held various positions in commercial banks. Gained extensive experience in agricultural and small-entrepreneur credit, business development, and management.
- *1978–1979. Senior Commercial Loan Officer*, First National Bank, Ft. Collins, Colorado.
  - *1964–1978. Senior Vice President and Director*, First National Bank, Stillwater, Oklahoma.
  - *1963–1964. Branch Manager*, Bank of America, Chico, California.

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### Khalilur Rahman Khan

- Position:** MIS Specialist
- Expertise:** Teaching: Quantitative methods, operations research, MIS, DSS, computer programming, systems analysis and design, simulation, operations management, TQM, mathematical and econometric modeling. Research and Consultancy: export promotion, survey research and studies, project evaluation, financial analysis, planning models--econometric, computer systems analysis and design, programming and implementation of computer-based systems.
- Education:** M.B.A. (Major in Quantitative Business Analysis, Business Economics, and Computer-based Information Systems), School of Business, Indiana University, 1971.  
M.A., Mathematics—First Class, First—University of Dhaka, Dhaka, Bangladesh, 1961.  
B.A., Economics and Mathematics, University of Dhaka, Dhaka, Bangladesh, 1958.
- Countries:** Bangladesh
- Languages:** Bengali (native), English
- Nationality:** Bangladeshi

### Professional History

- July 1992–present.* Professor of Management Science and MIS, Institute of Business Administration, University of Dhaka.
- December 1977–July 1992.* Associate Professor, Institute of Business Administration, University of Dhaka.
- February 1971–December 1977.* Assistant Professor, Institute of Business Administration, University of Dhaka.
- February 1969–February 1971.* Ford Foundation Study Fellow (M.D.A.), School of Business, Indiana University, Indiana.
- January 1964–February 1969.* Lecturer/Senior Lecturer, Department of Mathematics, University of Dhaka.
- August 1961–January 1964.* Lecturer in Mathematics, Dhaka College, Dhaka and two other colleges.

### Consulting Assignments

- March 1993.* Evaluation of investment portfolio of MIDAS. Sponsored by USAID.
- February–December 1992.* Study of the Materials Management & Logistics System of a large pharmaceutical manufacturing and distribution firm. Included identification of computer-based management control systems related to the field.

- 1990–1991. Study of the Services Sector in the Bangladesh Economy. Sponsored by ESCAP.
- 1988–1989. Market and Demand Study for transformers and switch gears in Bangladesh. Sponsored by a large multinational firm operating in Bangladesh.
1985. Computer-based project monitoring systems for the UPE Project. Sponsored by UNESCO.
1982. Pre-feasibility study for a computer system in the Establishment Division. Sponsored by World Bank.
- 1979–1981. Three product-demand and supply studies for Export Promotion Bureau. Sponsored by ITC—UNCTAD/GATT, Geneva.
- April 1979–January 1980. Macro-modeling and analysis of a 5-year (1980–1985) Development Plan of Bangladesh. Sponsored by Planning Commission. Computer simulation done.
- 1976–1978. Operations Management Studies on eight public sector industrial production units.
1976. Study of manpower utilization in a big public sector organization with over 2200 office workers. Used activity sampling and other work study techniques and computer analysis.
- 1973–1974. Computerized loan-repayment monitoring system for an industrial development bank.

#### **Selected Publications and Reports**

- Published eight text books in quantitative methods and computer programming and systems analysis and design.
- Published eight articles on computer, information systems and management planning and control.
- Produced twenty research and study reports and monographs.

#### **Additional Training**

- Special study and research in TQM—Total Quality Management at University of New Brunswick, Frederickston, Canada during Fall Semester 1992.
- Training in UNIX, ORACLE & “C” at Bangladesh Computer Council, Dhaka, Bangladesh, 1991.
- Special study and research in DSS—Decision Support System and Computer-based Information Systems at School of Business, University of Wisconsin, Milwaukee, Wisconsin, USA during Fall Semester 1986.
- 10-week workshop on Development of Small Enterprise at Cranfield Institute of Technology, Cranfield, England, during September–November 1978.
- Training of Trainers for Export Promotion at International Trade Center—ITC–UNCTAD/GATT, Geneva, November 1977.
- Training of Trainers for Export Promotion at International Trade Center—ITC–UNCTAD/GATT, Geneva 1974.

**Professional Affiliations**

Fellow and Ex-Vice President, Bangladesh Computer Society  
Member, Bangladesh Economics Association, Dhaka  
Member and Chairman, Computer Professionals' Association  
Member, Bangladesh Mathematics Association

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**M.A. Baqui Khalily**

- Position:** Economist/Banking Analyst
- Expertise:** Financial markets, rural finance, micro credit, women in development.
- Education:** Ph.D., Agricultural Economics (Major: Rural Finance), Ohio State University, 1991.  
M.S., Agricultural Economics (Major: Rural Finance), Ohio State University, 1987.  
Master of Commerce, Finance, University of Dhaka, Dhaka, Bangladesh, 1975.  
Bachelor of Commerce (with Honours), University of Dhaka, Dhaka, Bangladesh, 1974.
- Countries:** Bangladesh, Sri Lanka
- Languages:** Bengali, English
- Nationality:** Bangladeshi

**Professional History**

*November 1994–present.* **Professor**, Department of Finance and Banking, University of Dhaka, Dhaka, Bangladesh.

*March 1992–November 1994.* **Associate Professor**, Department of Finance and Banking, University of Dhaka, Dhaka, Bangladesh.

*December 1993–January 1994.* **Visiting Scholar**, Department of Agricultural Economics and Rural Sociology, Ohio State University, Columbus, Ohio.

*1990–1991.* **Research Associate**, Department of Agricultural Economics and Rural Sociology, Ohio State University, Columbus, Ohio.

*October 1979–March 1992.* **Assistant Professor**, Department of Finance and Banking, University of Dhaka, Dhaka, Bangladesh.

*December 1975–September 1979.* **Lecturer**, Department of Finance and Banking, University of Dhaka, Dhaka, Bangladesh.

**Consulting Experience**

*May–July 1996.* Asian Development Bank. Preparation of Project Documentation of the Rural Livelihood Project. As a national consultant in the team, responsible for designing targeted micro credit program, analyzing sustainability of the project and policies for a successful credit program.

*May–June 1996.* Preparation of Pre-Appraisal Report on Proposed Silk Development Project. As a member of the Mission and Consultant to the World Bank, responsible for financial projection and identification of parameters for evaluating sustainability.

- January 1996.* A Note on the Sustainability of the Grameen Bank, prepared for the European Economic Commission as a consultant.
- December 1995–February 1996.* A Report on the Sustainability of Selected Large and Small Non-Governmental Organizations (NGOs) Engaged in Micro-Credit Programs in Bangladesh. Prepared for World Bank.
- March 1995.* Prepared a report on Credit and Micro-Credit Enterprise Development of Janasaviya Trust Fund Poverty Alleviating Credit Program in Sri Lanka as an International Consultant.
- December 1994–February 1995.* Consultant to the Asian Development Bank, Manila, to conduct a survey study on Issues in Rural Finance in Bangladesh.
- 1992–1994.* Consultant to the World Bank to conduct studies on the Sustainability of Grameen Bank, Bangladesh Rural Advancement Committee (BRAC) and Bangladesh Rural Development Board (BRDB) RD-12 Poverty Alleviating Credit Program.

### **Research Experience**

- September 1996.* An economic and financial analysis of marketing of fish in Joysagar. Sponsored by the Grameen Bank.
- October 1996.* Is Banking an Appropriate Profession for Women? – An Analysis from Both Supply and Demand Side.
- December 1995.* “Issues in Bangladesh Rural Finance”, sponsored by the Asian Development Bank.
- February 1995.* “Women in Banking”, Sponsored by USAID/Dhaka, Final Report.
- October 1994.* “Designing a Sustainable Poverty Alleviation Program: The BRAC Strategy in Bangladesh”, sponsored by the Education and Social Policy Division, World Bank, Washington, DC, draft report.
- September 1994.* “Fertilizer Credit: Does it Make a Difference?”, sponsored by the International Fertilizer Development Centre, Dhaka, final report.
- May 1994.* “The Sustainability of Government Targeted Credit Program: Evidence from Bangladesh: the RD-12 Project”, sponsored by the Education and Social Policy Division, World Bank, Washington, DC, draft report.
- October 1993.* “Grameen Bank: Performance and Sustainability”, sponsored by the Education and Social Policy Division, World Bank, Washington, DC.
- 1991.* “An Analysis of the Viability of Rural Banks in Developing Countries: The Bangladesh Case”, Ph.D. dissertation research, Ohio State University, Columbus, Ohio, USA.
- 1987.* “Determinants of Rural Deposit Behaviour in Developing Countries: The Bangladesh Case”, M.S. Thesis research, Ohio State University, Columbus, Ohio, USA.

*March 1982. "Income Instability of Rural Households in a Bangladesh Village", sponsored by the Bureau of Business Research, University of Dhaka, Bangladesh.*

*June 1979. "Life Insurance Business in Rural Bangladesh: A Study on the Problems of Development", sponsored by the Bangladesh Insurance Academy.*

*May 1978. "Risks in Agricultural Production: A Study of a Selected Village in Faridpur District", sponsored and published by the Faridpur Academy.*

#### **Selected Reports and Publications**

*Development of Securities Market – A Study on the Supply Side, published by the Asia Foundation, December 1995.*

*Grameen Bank: Performance and Sustainability, World Bank Discussion Paper No. 306, Washington, DC, October 1995.*

*Sustainability of a Government Targeted Credit Program: Evidence from Bangladesh, World Bank Discussion Paper No. 316, Washington, DC, December 1995.*

*Security of Industrial Laborers in Bangladesh: a Study of Insurance as a Tool to their Security, sponsored and published by the Bureau of Business Research, University of Dhaka, Bangladesh, September 1979.*



ATTACHMENT

SCOPE OF WORK  
FINANCIAL SECTOR REFORM PROJECT  
FINAL EVALUATION

I. Background

Major inadequacies in financial markets and institutions inhibit the formal financial sector of Bangladesh from performing effectively and dynamically in the economic development of the country. These include: inappropriate or inadequate monetary policy regime; inadequate bank supervision; inadequate mobilization of savings; misallocation of credit; widespread loan defaults and delinquencies; and inefficient credit delivery. The prevalence of these problems closes markets, and reduces the level of savings, investment, and capital productivity resulting in suboptimal use of resources, a lower growth rate, and diminished employment opportunities.

To address these problems, the Bangladesh Government (BDG) instituted a Financial Sector Reform Program supported by a US \$175 million credit from the World Bank/International Development Association. USAID/Bangladesh's Financial Sector Reform Project provides technical assistance to assist the BDG in the implementation of its Financial Sector Reform Program.

The goal of USAID/Bangladesh's Financial Sector Reform Project (FSRP) was to improve the functioning of the Bangladesh formal financial system, including the Bangladesh Bank (the Central Bank) and commercial banks [composed of four Nationalized Commercial Banks (NCBs) and 16 private banks], so as to accelerate the rate of economic growth and employment generation.

The purpose of USAID's Financial Sector Reform Project (FSRP) was to improve the functioning of the formal financial sector. FSRP was designed to increase private sector investment in productive economic activities through improved financial sector policies and procedures resulting in increased employment opportunities across a variety of sectors.

FSRP provided technical assistance to improve central and commercial bank operations and address systemic problems in the financial system. The Project assisted the BDG to implement reforms required by World Bank/IDA credit. The Project furnished TA, training and equipment to the Bangladesh Bank, the NCBs, and the Bangladesh Institute of Bank Management (BIBM). The Project provided approximately 980 consultant person months of technical assistance. The direct BDG contribution for TA is approximately \$1.7 million over the life of the project.

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The project was authorized and obligated in June, 1990. A contract with the joint venture, Nathan Associates/Booz Allen & Hamilton (NAI-BAH), was signed a year later in June, 1991, and field operations began in February, 1992. All planned TA advisory services under the joint venture contract with NAI-BAH have been completed as of June 30, 1996.

## II. Purpose of Evaluation

This project evaluation is expected to assess:

- (a) the impact of the project to date on Bangladesh's financial systems and the likely continued impact of the project over time;
- (b) whether the planned end-of-project outputs have been achieved;
- (c) the degree to which the project has achieved its restated purpose;
- (d) the sustainability of the operational improvements in the banking system and the policy reform efforts undertaken; and
- (e) lessons learned from the project as an input for future efforts in financial sector reforms.

## III. Statement of Work

### A. Project Design and Implementation:

1. INPUTS -- Have project inputs been provided as specified? Were the inputs identified in the design (a) appropriate and (b) necessary and sufficient to achieve the stated project outputs and purpose? If not, why not?

2. OUTPUTS -- Have project outputs been achieved as envisioned in the design? In the assessment of the evaluators, were the outputs identified in the design (a) appropriate and (b) necessary and sufficient to achieve the stated project purpose, sub-goal and goal? If not, why not?

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3. PURPOSE -- Is the project purpose being achieved as envisioned in the design? Has the restatement of the project's logframe affected purpose-level achievements (or measurement of those achievements)? If so, in what way? Is the purpose as identified in the design (and as restated in the 4/4/94 revised logframe) (a) appropriate and (b) necessary and sufficient to achieve the stated sub-goal and goal? If not, why not?

4. SUB-GOAL and GOAL -- Can achievements at the sub-goal and goal be documented? Can they be attributed, either directly or indirectly, to the project's activities?

#### B. Lessons Learned

END of PROJECT -- Given completion of the advisory services under the project, the development context in which this project was set, and the mission's strategic objectives:

1. What does the evaluation team recommend, if anything, the mission should do in the financial sector, especially as it impacts on increasing real household incomes through increased financial services available to small and micro-entrepreneurs and through reduced policy and regulatory constraints to small and micro-entrepreneurs at the end of this project?

2. What are the lessons learned that can be useful to BDG in its future efforts in financial sector reform; and

#### IV. Methodology

The Evaluation Team shall be responsible for determining the appropriate evaluation methodology and level of analytical effort to be undertaken to complete the final product.

In developing the appropriate methodology the analysis shall include, but not be limited to, the following:

(a) A review of project reports and relevant project documents, including the FSRP Project Paper, Grant Agreement, Joint Venture TA contract, semi-annual PSR reports, consultant reports and papers, and Bangladesh Bank Bulletins;

(b) Interviews with USAID, BB, NCBs, other donor officials, and the Joint Venture technical assistance team;

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- (c) The Interim Evaluation conducted in April 1993; and
- (d) The Impact Evaluation conducted in June 1995.

V. Team Composition and Qualifications

The Evaluation Team to be provided by the Contractor shall be composed of four (4) individuals -- two (2) international and two (2) Bangladeshis. In addition, USAID/Bangladesh will assign a Mission Staff to work with the Evaluation Team.

The members of the Evaluation Team, to be provided by the Contractor, and their skill areas are as follows:

International Consultants

(1) Banking Specialist:

Academic: MBA/Advanced Degree in Finance, Business, Economics or related field.

Professional: Experience as a senior banker, including experience in bank management, accounting and MIS, credit analysis, loan administration, and performance planning and budgeting of commercial banks. Should have extensive international, and developing country experience in commercial banking, as well as a background in economics and banking supervision. Preference will be given to Bangladesh experience. Experience in designing, implementing and/or evaluating financial policy reform programs is essential. Must have excellent writing skills. Additional senior level banking experience may be substituted for an advanced degree.

(2) Macro Economist:

Academic: Ph.D. in economics specializing in monetary theory and monetary policy issues.

Professional: Experience as a macro economist in a developing country. Preference will be given to Bangladesh experience. Experience in analysis of monetary policy management in achieving policy goals in developing countries. Experience in evaluating macro economic policy reform programs is important. Must have excellent writing skills. Additional senior level monetary policy experience may be substituted for an advanced degree.

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### National Consultant

#### (3) Economist/Banking Specialist:

Academic: Advanced Degree in economics or related field, with emphasis in finance, banking and/or monetary economics.

Professional: Experience as an economist/banking specialist in Bangladesh. Experience in designing, implementing and/or evaluating financial policy reform programs is preferred. Preference shall be given to candidates with relevant experience in central banking and monetary policy in a developing country context. Proficiency in both written and spoken English is necessary. Additional relevant senior level experience may be substituted for an advanced degree.

#### (4) MIS Specialist:

Academic: M.S./B.S. in Computer Science/Elec. Engineering or relevant technical degree.

Professional: Experience in MIS design and implementation, preferably in banking sector. Ability to evaluate MIS design and computer systems is essential. Ability in both spoken and written English is essential.

The Contractor may propose an otherwise appropriately qualified candidate for a position if he/she does not meet all of the requirements listed above, as long as the deficient skill is filled by one of the other team members.

### Team Leader

The Contractor shall nominate one of the international members of the Evaluation Team to act as the team leader. That individual shall be responsible for coordinating and managing the evaluation team, and shall be responsible for producing the final evaluation report. Consequently, in addition to the qualifications noted above, s/he must have significant experience in conducting evaluations, and must possess excellent interpersonal, managerial and writing skills.

### General

This evaluation requires interaction with very senior officials of the Bangladesh banking sector, the Bangladesh Government (BDG) and donor organizations, therefore, it is imperative that the consultants be senior and experienced in communicating with high level officials.

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**VI. Performance Period**

The performance period includes 36 workdays (6 days x 6 weeks) in Bangladesh for each consultant beginning o/a first week of November 1996. The Team Leader shall be authorized an additional two (2) work days in Bangladesh and one (1) work week in the U.S. to finalize the Final Evaluation Report.

A six (6) day work week shall be authorized for all consultants in Bangladesh as follows:

Team Leader (one of the Int. Experts)	7 person days
Int'national Banking Sector Specialist	36 person days
Int'national Macro Economist	36 person days
National Economist/Banking Analyst	36 person days
National MIS specialist	36 person days
<b>Total Effort</b>	<b>151 person days</b>

**VII. Reporting Requirements**

All reports must be written and presented in English. There shall be two reports: (i) an evaluation work plan; and (ii) a final evaluation report.

Work plan: At the end of the first week of the evaluation, the Team Leader shall submit five (5) copies of an evaluation work plan to the FSRP Project Officer at USAID/Bangladesh for his/her approval.

Final Report: At the end of the evaluation study, the Team Leader shall submit fifteen (15) hard copies of the draft evaluation report no later than one (1) work week prior to the departure of the consultants from Dhaka. USAID/Bangladesh shall discuss and comment on the draft report and the results in an exit debriefing no less than two work days prior to the departure of the consultants. The Team Leader shall have up to two (2) days in Bangladesh to make initial corrections and for feedback from the FSRP Project Officer. Prior to his/her departure, the Team Leader shall provide the Mission with five (5) hard copies and a copy of the revised report on diskettes (in Word Perfect 5.1). Quantitative data shall be submitted on diskette in Lotus 123. All associated data collected as background to the report and not presented in the report shall also be submitted to USAID/Bangladesh in the above diskette format prior to the Team Leader's departure. Subsequently, the Team Leader shall have up to one (1) work week in the U.S. to finalize the evaluation report.

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The Contractor shall submit via international express mail ten (10) hard copies of the approved Final Evaluation Report to USAID/Bangladesh within two (2) weeks after USAID/Bangladesh's notification to finalize the report. In addition, a copy of the revised and edited report shall be provided on diskettes in the format stated above. The Contractor shall also provide ten (10) additional hard copies of the report to USAID/Bangladesh via the diplomatic pouch.

The final report shall include, but not be limited to the following:

- Executive Summary: Approximately 2-4 single spaced pages.
- Statement of Findings, Conclusions and Recommendations: Findings and Conclusions shall be succinct, with the topic identified by a short sub-heading related to the area(s) of investigation identified in the Statement of Work (Section III). Recommendations shall correspond to major findings, be prioritized, and specify who or which agency should take recommended action. (The statement of Findings, Conclusions and Recommendations may be included in summary form as part of the Executive Summary).
- Body of Report: The report shall provide the evidence and analysis to support the findings and conclusions. Data presented in the report shall be aggregated by gender to the extent possible. The report shall not exceed 50 single spaced pages, unless otherwise agreed by USAID/Bangladesh in advance.
- Annexes: This section shall include, but not be limited, to the following:

- Final Evaluation Scope of Work
- Resumes of Evaluation Team Members
- Full Description of the Evaluation Methodology
- Bibliography of Documents Reviewed
- List of Individuals/Agency Representatives Interviewed
- Selective Tabular Presentations of Quantitative Data

VIII. Team Meetings and Debriefings

The Evaluation Team selected by the Contractor shall meet upon arrival with the USAID/Bangladesh Food Security Team Leader, FSRP Project Officer and the Project Coordinator. The team shall also meet with Deputy Governor of the Bangladesh Bank (i.e., BDG Project Director), key officials in the banking sector and the Bangladesh Government, World Bank (Resident Mission in Bangladesh), Asian Development Bank (Bangladesh Resident Office), and the IMF Resident representative.

The Team Leader and other team members, as appropriate, shall meet weekly with the Project Officer to provide verbal reporting on the progress of the evaluation.

The Team Leader shall schedule an exit debriefing no later than one (1) work week prior to the departure of the consultants from Dhaka.

#### IX. Logistics

The Contractor/Evaluation Team shall be responsible for all logistical support. This includes arranging for accommodation in country, office space, computer and equipment rental, secretarial and other support services, transportation, and interview scheduling. USAID/Bangladesh staff shall provide advice and assistance wherever possible to facilitate with logistical arrangements.

#### X. Compensation

This delivery order shall be a cost reimbursable contract. The Contractor shall be reimbursed for costs as negotiated by the USAID/Bangladesh Contracts Office on a monthly basis. The Contractor shall submit to the Controller, USAID/Bangladesh a voucher for reimbursable costs incurred against services rendered under the Delivery Order.