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**USAID/GUATEMALA**  
**FINANCIAL SECTOR**  
**MODERNIZATION IN GUATEMALA**

Final Report

October 6, 1992

## *Price Waterhouse*

October 6, 1992

Mr. Terrence Brown  
Director, USAID/Guatemala  
Primera Calle, 7-66, Zona 9  
Edificio Uno  
Guatemala City, Guatemala

RE:Financial Sector Development Project  
Contract N PDC-2206-Z-00-8191-00  
Guatemala Financial Sector Modernization  
PIO/T No. 520-0341-3-70470

Dear Terry:

We are pleased to transmit five copies of the final report, *Guatemala Financial Sector Modernizacion* prepared by Price Waterhouse.

The draft final report was submitted to the USAID June 23, 1992. It is our understanding that the draft version of this report met with the Mission's approval and that no changes were requested. Therefore, in order to complete the contractual requirements of the activity referenced above, we are sending a finalized version of the report at this time. Please note that the final version in no way differs from the draft version.

We appreciated the opportunity to be of service to you on this assignment and we look forward to other opportunities in the future.

Sincerely,



J. Richard Breen  
FSDP Director

cc: Rebecca Maestri, PRE/EM

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**FINANCIAL SECTOR MODERNIZATION  
IN GUATEMALA**

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## **EXECUTIVE SUMMARY**

In recent years the Government of Guatemala (GOG) has embarked upon a program of economic and financial reform with impressive results.

Goals for financial sector reform are presented in the GOG strategy and policy paper, "Hacia Una Democracia". They include modernizing financial legislation, modifying the functions of the SB, improving the quality of financial information and implementing training programs to prepare human resources in the financial sector meet the challenges of modernization.

At the present time the GOG and the Inter-American Development Bank (IDB) are negotiating the terms of a \$75 million three-tranche financial sector modernization loan. The specifics of that loan agreement will establish the priorities for carrying forward the modernization program.

Reform and/or assistance in four critical areas is essential if financial sector modernization is to continue and succeed.

- First and foremost, existing **laws and norms** pose serious obstacles to financial sector modernization.
- Second, the current **supervisory and regulatory** framework does not ensure the safety and soundness of the financial system.
- Third, **financial information** that is prepared for and provided to the regulatory authorities does not enable them to accurately assess the financial health of the institutions they supervise.
- Fourth, as the financial system becomes increasingly open, it will be necessary to **train** financial sector personnel and strengthen their analytical capabilities.

Laws and norms are what drive and condition policies and practices, and those which govern the financial sector in Guatemala are ambiguous and contradictory. The lack of clearly defined governing principles serves as one of the principal obstacles to modernization of the financial sector

1. **The most important and timely activity that USAID can undertake is to engage in policy dialogue with the GOG and support the negotiating efforts of the IDB to reform the legal and regulatory framework, particularly the empowerment of the Superintendency of Banks.**

The Guatemalan institution charged with the supervision and regulation of the financial sector is the Superintendency of Banks. Its primary responsibility is to ensure the safety and soundness of the financial system. The Superintendency is constrained in performing its role by the Constitution as well as by banking laws, norms and practices. It is subject to detailed oversight and control by the Monetary Board (MB), a fact which undermines its authority and ability to effectively supervise and prudently regulate the formal financial sector.

- 2. The main focus of USAID discussions with the GOG should be establishing the autonomy and increasing the authority of the SB. Monetary authorities suggested that the USAID could make a very important contribution by providing outside, senior level, technical advisors with considerable international experience to work with local attorneys and bankers in drafting appropriate legislation. Once progress for and commitment to legislative reform is evident, the USAID could provide technical assistance to help the SB reorganize.**

Regulated financial institutions supply the SB with an abundance of financial information. Most bankers felt that they provided the SB with sufficient, if not excessive amounts of financial data. The fundamental limitation on the data collected is the absence of generally accepted international accounting standards. External auditors who certify that statements are prepared in accordance with SB requirements are themselves not subject to any minimum professional standard of eligibility.

- 3. Improvements in the quality of information are possible, but unlikely until such time that the SB has the authority to insist and enforce the preparation and submission of timely and accurate information.**

Modernization implies changes and the need for "re-education". It will necessitate learning to do new things or improving current practices. Training activities which the USAID supports should respond to the needs of the modernization process.

- 4. Training can be extremely useful in assisting the Bank of Guatemala (BG), SB and other members of the financial community improve financial analysis and accounting skills. First steps include training needs assessments of the BG and the SB. Based on the assessments, the PW team recommends providing training support to the BG. Once significant progress is made toward legislative reform to empower the SB, training and technical assistance should be provided to the SB.**

The report which follows elaborates upon and explains the importance of these four key points.

## I. BACKGROUND

### A. Setting

In recent years the Government of Guatemala (GOG) has embarked upon a program of economic and financial reform with impressive results. The inflation rate has come down, interest rate controls have been dropped, capital has been repatriated as the exchange rate was freed and the regressive and inefficient stamp tax on financial transactions has been eliminated. Additional financial sector reforms are also being considered. The Bank of Guatemala is considering establishing a secondary market for its own security issues. In addition, it is expected that Congress will introduce legislation to strengthen and broaden the powers of the commercial banks. Initial results stemming from earlier reform measures have been positive and GOG commitment to economic and financial reform suggests that the on-going process of financial modernization will continue for the foreseeable future.

At the present time, the GOG and the Inter-American Development Bank (IDB) are negotiating the terms of a \$75 million three-tranche financial sector modernization loan. The specifics of that loan agreement will establish the priorities for carrying forward the modernization program.

Within this context of financial sector modernization, USAID/Guatemala contracted Price Waterhouse (PW) and the Financial Sector Development Project (FSDP) to explore ways in which the USAID could help advance the process.

### B. Scope of Work, Team, Timing

#### 1. Scope of Work

The Scope of Work for this assignment covers three broad areas: **Bank Supervision and Regulation, Quality of Financial Information and Training**. This report will address primarily these three issue areas, although attention and emphasis within these areas will differ somewhat from the specific questions posed in the Scope. This is because over the course of the team's research it became evident that the principal constraints to and recommendations for financial sector modernization were legal and normative in nature. Legislative change to empower the Superintendency of Banks would resolve the several issues presented in Sections A and B of the USAID Scope of Work. The team's efforts then centered on how best to achieve this empowerment.

Second, the team's research also indicated that the process of financial sector modernization would require the "retraining" of human resources at both the Bank of

Guatemala (BG) and the Superintendency of Banks (SB). This point was reiterated by the Governor of the Bank of Guatemala who indicated the importance of training as Guatemala moves from a controlled to a liberalized economy. However, numerous interviews with commercial bankers indicated that, for the most part, the private banks were quite capable of supporting training for their staff. The team concluded that training private bankers would not be the most appropriate use of scarce resources. This reinforced the focus on training to the Bank of Guatemala and later the Superintendency of Banks.

Furthermore, certain issues that fall outside the scope will be covered. For example, this report will outline some of the key issues proposed by the BID for financial sector reform. This discussion is included because of its timeliness. During the PW team's in-country visit, the GOG was involved in active negotiations with the BID on the upcoming loan agreement. The recommendations in this report reflect various meetings and discussions between PW team members and BID representatives in Guatemala and in the U.S.

The focus on additional areas, and in particular, the changes to the original scope, were discussed with and approved by USAID/Guatemala during the team's several meetings with the AID Mission in Guatemala City.

## **2. Team Members**

A six person team was contracted to perform this assignment. They are:

- Adolfo Diz, economic consultant and former President of the Central Bank of Argentina;
- John Morgan, former bank C.E.O. and former First Deputy Superintendent of Banks for the State of New York;
- Thomas Parr, a trainer and former commercial and development banker;
- Patricio Duran, on leave of absence from the Superintendency of Banks, Ecuador;
- Roldofo Leal, an independent consultant and a former manager in the Banco de Guatemala; and
- Barbara Friday, Team Leader and Deputy Director of the Price Waterhouse Financial Sector Development Project.

### 3. Timing

This assignment took place during the first three weeks of May 1992.

#### C. Methodology

Two related and important principles guided the team's methodology in the conduct of this assignment as well as in the preparation of this report.

- o First, the team's efforts have been devoted to complementing and not duplicating the several, recent, in-depth financial sector studies available to A.I.D. A list of these studies which the team drew upon is found in Appendix C.
- o Second, as mentioned above, issues arose over the course of this assignment that either changed the emphasis of the original USAID scope or fell outside it. Since they were found to be important and significant by the team, discussions of them are included herein.

During the course of the consultancy, the team met with a cross section of financial sector decision makers including senior officials from the Bank of Guatemala and the Superintendency of Banks and the general managers of over a dozen private commercial banks and/or financieras. Additionally, the team met with officials of USAID/Guatemala and members of the IDB negotiating team. The purpose of those meetings was to explore key financial sector issues, including those areas as outlined in the scope of work, and also to verify and/or confirm the findings and analyses of the recent studies. A list of persons interviewed is found in Appendix B.

The team would like to thank USAID/Guatemala and the Camara Empresarial (CAEM) for their guidance and support. Additionally, we would like to express appreciation to the authorities of the Bank of Guatemala and the Superintendency of Banks, members of the Guatemalan financial community and staff of the BID for taking time out of very busy schedules to meet with team members and discuss the issues presented in this report.

#### **D. Organization of the Report**

The remainder of this report is divided into five main sections. Section II provides a description of the functions performed by the various components of the financial sector in Guatemala. Section III addresses financial sector modernization in Guatemala, with particular emphasis on the legal, supervisory and regulatory framework governing the financial sector. Section IV outlines the main components of the Government of Guatemala Plan for Reform as it relates to the financial sector. Section V identifies the primary issues of the Inter-American Development Bank reform program in Guatemala. This report concludes with programmatic recommendations for USAID/Guatemala to further the process of financial sector modernization through policy dialogue with the GOG and BID.

## **II. THE FINANCIAL SECTOR**

### **A. Institutions**

The Guatemalan financial sector is composed of three main interconnected sectors and markets:

- Regulated Financial Intermediaries (RFI);
- Unregulated Financial Intermediaries (UFI); and
- Self-regulated securities exchange market.

The RFI consists of commercial and mortgage banks; financial companies; and other regulated financial or credit institutions such as insurance companies and warehouses that are subject to regulation and supervision by the Superintendency of Banks. As of September 1991 there were 23 private commercial banks, 3 state-owned specialized banks and 11 warehouses.

The UFI is made up of unregulated financial companies ("financidoras"); credit unions; off-shore banks; credit card issuing companies; and money lenders. Many of the activities performed by the unregulated or "informal" financial sector are services that the regulated institutions are proscribed from providing.

The self-regulated securities exchange market is comprised of the securities exchange (BVN); brokerage houses; and institutional investors, including investment funds, pension funds and corporations.

The Guatemalan banking sector is dominated by private commercial banks. As of September 1991, private banks accounted for 89% of the Q12.8 billion total assets, 87.5% of credits and 92.2% of deposits<sup>1</sup>. Due to the interconnected nature of common ownership among the commercial banks, warehouses and unregulated financial companies, bank assets tend to have a significant impact in the financial markets.

At the present time the formal banking sector is not unduly concentrated in any one institution. As Table 1 indicates, the largest market share is 13%, with the top three banks comprising no more than 37% of the total market. As cited above, where

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<sup>1</sup> Informe de la Superintendencia de Bancos, September 1991.

**GUATEMALAN BANK (IN QUETZALES '000)  
PRIVATE SECTOR BANKS ONLY**

	ASSETS SEP 1991	ASSET GROWTH SEP '90 SEP '91	MARKET SHARE SEPT 91	CAPITAL ASSET RATIO (DEC '90)
OCCIDENTE	\$1,220,516	33.0%	13.9%	8.3%
INDUSTRIAL	\$1,178,671	26.6%	13.4%	7.1%
G&T	\$875,179	33.6%	10.0%	6.6%
EXPORTACION	\$565,585	86.9%	6.4%	8.5%
AGRICOLA MER	\$562,936	11.8%	6.4%	6.2%
CAFE	\$535,932	24.1%	6.1%	9.2%
BNCO AGRO	\$509,619	23.0%	5.8%	12.6%
INMOBIL	\$442,957	20.8%	5.1%	10.3%
INTERNACIONAL	\$427,380	21.1%	4.9%	7.6%
REFORMADOR	\$361,862	NA	4.1%	12.3%
METRO	\$342,778	3.9%	3.9%	10.3%
EJERCITO	\$333,812	23.9%	3.8%	9.3%
LLOYDS	\$288,128	-2.3%	3.3%	7.8%
CONSTRUCCION	\$284,611	-2.6%	3.2%	5.9%
QUETZAL	\$193,004	11.6%	2.2%	9.2%
BOFA/UNO	\$185,905	33.8%	2.1%	7.8%
TRABAJADORES	\$141,911	21.1%	1.6%	15.9%
PROMOTOR	\$138,937	0.6%	1.6%	NA
CONTINENTAL	\$121,696	NA	1.4%	NA
CITIBANK	\$57,640	NA	0.7%	NA
<b>TOTAL PRIVATE BANKS</b>	<b>\$8,769,059</b>		<b>100%</b>	

FINANCIAL SECTOR:		SHARE OF FIN SECTOR
PRIVATE BANKS (20)	\$8,769,059	68.4%
FINANCIERAS (7)	\$2,969,293	23.2%
STATE BANKS (3)	\$1,072,394	8.4%
ALMACENES (11)	\$7,608	0.1%
<b>TOTAL: ALL BANKS</b>	<b>\$12,818,354</b>	<b>100%</b>

SOURCE: SUPERINTENDENT OF BANKS

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concentration occurs is through the common ownership of different segments of the financial sector, --i.e., banks, finance companies, factoring companies, etc.<sup>2</sup>

Management of the leading commercial banks and some new entrants exhibit sophisticated operating systems that coordinate the various divisions of what would otherwise be described as holding companies. In some cases, entities already operate reporting and management systems on a de-facto bank holding basis. In addition, systems know-how and technology are available and in use throughout the banking sector. Such a degree of operational sophistication enables the commercial banks (and non-banks) to develop consistent and sustainable profitability analysis of the markets in which they operate.

This operational capability also allows the private banks, unregulated financial institutions and warehouses to gain access to new markets on a profitable basis. Several banks have geared their operations toward the middle and lower-middle credit markets and the small business market. Furthermore, the private commercial bankers display an understanding of the necessary informational requirements to establish a quick turn-around credit approval process.

## **B. Regulatory Agencies**

Financial sector policy is determined and implemented by three main entities: the Monetary Board (MB), the Bank of Guatemala (BG) and the Superintendency of Banks (SB).

### **1. Monetary Board (MB)**

The Guatemalan Constitution of 1985 establishes that monetary, banking and financial activities in Guatemala shall be organized under the direction of the Monetary Board (MB). The primary role of the MB is to establish monetary, credit and foreign exchange policy and ensure the liquidity and solvency of the national banking system. In addition, the MB is also charged with ensuring the stability of the national private banking system. Most importantly, its authority and decision making powers supersede those of the Bank of Guatemala and the Superintendency of Banks.

The eight-member MB is comprised of members from the private and public sectors. The two private sector members include one representative each from the chamber of private entrepreneurs (CACIF) and the commercial banks. As specified in the Constitution, public sector members include the Ministers of Economy, Agriculture and Finance as well as the President of the Bank of Guatemala. The remaining two seats

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<sup>2</sup>Ibid.

are occupied by representatives from the Guatemalan Congress and the state run University of San Carlos, respectively.

## **2. Bank of Guatemala (BG)**

The Organic Banking Law charges the Bank of Guatemala with functions similar to those usually assumed by central banks. The Bank of Guatemala is charged with implementing monetary, credit, financial and exchange rate policies. In addition to ensuring the solvency and functioning of the national banking system, the BG is responsible for curbing domestic inflation; maintaining the external value and convertibility of the local currency; administering foreign reserves; and safeguarding Guatemala's competitive position in the international market.

## **3. Superintendency of Banks (SB)**

The Guatemalan Constitution defines the role of the SB as primarily supervisory and regulatory. The SB is responsible for overseeing and inspecting the activities of commercial banks, credit institutions, financial firms and insurance companies.

As will be discussed later, the SB is not able to function in an efficient and timely manner because it lacks a clear mandate. While the SB is subordinate to the MB, this relationship alone does not render its efforts irrelevant or inefficient. Rather, the MB's lack of consistent guidance and support of commonly understood supervisory objectives to ensure prudent and safe behavior of the regulated financial institutions has rendered the SB inefficient and, often times, irrelevant in its actions vis-a-vis banking activities.

Efforts to modernize the SB and its role in the financial community will need to address many different issues- legislative, normative, structural and training to reorient the SB to effective supervision that will ensure safe and prudent banking practices.

### **III. FINANCIAL SECTOR MODERNIZATION**

#### **A. Introduction**

Reform in three critical areas is essential if financial sector modernization is to continue and succeed. These issues concern laws and norms, regulation and supervision and financial information. These issues are important for several reasons.

- First and foremost, the existing legal and regulatory framework poses serious obstacles to financial sector modernization.
- Second, the current supervisory and regulatory framework does not ensure the safety and soundness of the financial system.
- Third, financial information that is prepared for and provided to the regulatory authorities does not enable them to accurately assess the financial health of the institutions they supervise.

The Price Waterhouse team strongly believes that fundamental changes in the legal, regulatory and supervisory framework are necessary in order to ensure the success of the modernization process. Without legislative amendments and a clear and unambiguous mandate from the MB that strengthen the authority of SB to solicit the submission of timely and accurate financial information and enforce disciplinary measures when needed, the GOG will be unable to consolidate the early successes of the economic and financial reform process.

This section will analyze legal and normative, regulatory and supervisory, and informational constraints to modernization.

#### **B. Laws and Norms**

Existing laws and norms which govern the financial sector in Guatemala are ambiguous, contradictory and open to varying interpretations. The lack of clearly-defined governing principles serves as one of the principal obstacles to modernization of the financial sector.

One area in which there is considerable ambiguity and uncertainty is how to handle problem banks. The Organic Law of Banking suggests that there is a wide range of activities that the SB can undertake concerning troubled banks. Yet, twenty years ago Congress passed Decree 7-72, which allows the BG to rescue them. Although Decree 7-72 was put into effect only once in order to rescue a particular failing bank, it has never been taken off the books.

Decree 7-72 poses two significant problems. First, its presence creates a level of uncertainty concerning the actions that the SB could take regarding troubled banks. Since 1972, it has been unclear as to whether the Decree supersedes the Organic Law of Banking or vice versa. Second, it suggests that the BG will bail out problem banks. By implying that the BG may or could clean a bank's portfolio and return the bank to its previous owners, Decree 7-72 provides an example of probably the worst kind of deposit insurance imaginable.

In addition to being ambiguous, existing legislation is also largely outdated. For nearly half a century, the Banking Law (1946) and the Organic Law of the Bank of Guatemala have defined the roles and actions of the various institutions and actors within the financial community. Though minor modifications and amendments have taken place, such legislation has failed to maintain pace with changing characteristics and requirements of global capital and financial markets.

For example, until recently, legislation continued to bar commercial banks from issuing interest-bearing checking accounts and still prohibits commercial banks from offering credit cards, services usually offered by private banks in most countries with modern financial sectors.

In addition, the absence of legislation governing capital markets, despite a functioning securities market exemplifies the extent to which legislation lags behind day-to-day practices in Guatemala.

Another example of the contradictory and outdated nature of the existing legal system relates to minimum reserve requirements. Over the years, to the benefit of the financial system, reserve requirements have been reduced considerably and **the PW team would endorse the continuation of that trend**. Such reductions, however, are not supported by the law. Current requirements approximate 20%, yet the Bank of Guatemala Charter sets minimum reserve requirements at 50%.

In order for financial sector modernization to succeed, it is necessary that the laws and norms which govern the sector be revised. Ambiguities and contradictions need to be identified and eliminated so that laws and norms are inherently consistent. Current norms which restrict expanded services and improved operations need to be eliminated. In order to ensure the safety and soundness of a more liberalized system that will result from the aforementioned reforms, the laws and norms which govern the supervisory and regulatory framework need to be changed. The most important among them is the empowerment of the SB and the SB's reorientation to the enforcement of prudential norms and regulations.

**The most important and timely activity that the USAID can undertake is to engage in policy dialogue with the GOG, and support the negotiating efforts of the BID to reform the legal and regulatory framework, particularly the empowerment of the Superintendency of Banks.**

The following section discusses the supervisory and regulatory framework, especially the role of the SB.

### **C. Superintendency of Banks**

As mentioned before, the Guatemalan institution charged with the supervision and regulation of the financial system is the Superintendency of Banks. The main job of the SB is to ensure the safety and soundness of the financial system. In order to perform this role, the SB requires accurate and timely financial information from the institutions it supervises; the ability to analyze financial information and evaluate portfolio quality; and the authority to impose sanctions or disciplinary measures when warranted. Without enforcement powers, however, neither the quantity nor quality of financial information is meaningful.

The Superintendency lacks such enforcement powers. The power of the SB is defined and constrained by the Constitution as well as banking laws and norms. It is subject to detailed oversight and control by the MB and this subordinate position to the MB undermines its authority and ability to effectively supervise and prudently regulate the formal financial sector.

Additionally, the authority of SB is undercut by powers given to the commercial banks when appealing disciplinary measures. Under terms set forth in the Constitution, private commercial banks have the right to appeal SB decisions to the MB. During the appeal process, which can take up to 2-3 years, commercial banks may continue to operate as if no action had been taken, thus further limiting the SB's authority to enforce compliance and initiate corrective measures.

Finally, given the changes in and growth of the financial system in recent years, the regulatory framework as established by law and in practice, is inadequate and outdated. In addition to empowering the SB, it will be necessary to modernize the prudential regulatory framework. Financial sector modernization will necessitate changes in authority, information, analysis and practices.

At a minimum, the SB should be empowered to supervise and enforce the following regulatory standards:

- Define standards of minimal capital for new banks and capital adequacy for all banks and power to enforce compliance.
- Improve definitions and classifications of non-performing or high-risk loans; and policies for establishing corresponding reserves.
- Improve risk assessment profiles; loan to one borrower limits, etc.
- Use cease and desist orders to stop plainly unlawful and/or imprudent practices immediately.
- Intervene (take effective control) when a bank is in imminent danger of failing or if there is evidence of gross misconduct as measured by norms of safety and soundness.

In Guatemala the SB's lack of autonomy and decision-making authority are factors which severely restrict the institution's ability to ensure the safety and soundness of the financial system. These factors are the key deterrents to progress in the financial sector and must be addressed if modernization is to succeed.

**Price Waterhouse recommends that the USAID engage in policy dialogue with the Guatemalan monetary authorities and fully support on-going BID-GOG negotiations for the autonomy and increased authority of the SB.**

**PW further recommends that progress toward the enactment of laws and norms that empower the SB and ensure its autonomy be a condition for further assistance to the SB.**

#### **D. Financial Information**

Regulated financial institutions regularly supply the SB with an abundance of financial information. Each month, commercial banks provide the SB with balances sheets that include annexes on the status of reserves, names of clients, and the amount and terms of liabilities. Additionally, banks and other regulated institutions file and the SB publishes extensive quarterly compendiums of financial information. Many banks elect to publish annual reports and release other information to the public.

Most bankers interviewed felt that they provided the SB with sufficient, if not excessive amounts of financial information. It was generally felt that the SB needs to streamline its information requirements in order to reduce the burden on the banks.

The fundamental limitation on the data collected is the absence of generally accepted international accounting standards. External auditors who certify that statements are prepared in accordance with SB requirements are themselves not subject to any minimum professional standards of eligibility.

Beyond that, and of immediate concern in assessing the financial condition of a bank or other registered institutions, is the absence of appropriate standards for defining loan quality. It is possible, for example, to bring a past-due loan current by renewing it and effectively postponing the due date, or rolling over the loan. Apparently, this is a common occurrence.

Additionally, collateral serving a loan may be overstated or impractical to verify. Warehouse receipts are a widely used form of collateral. The receipt purports to be a representation of true value of the collateral pledged. Many receipts, however, are issued by field warehouses and there may be abuses in this form of documentation.

Despite the quantity of information collected by the SB, and taking into account its dubious quality, it nevertheless would appear that little, if any, analysis is performed. Several bankers interviewed expressed frustration that the SB paid too little attention to the stability of the financial system and far too much time on secondary issues. Rather than evaluating loan portfolios or the riskiness of client assets, the SB was criticized for spending a disproportionate amount of time on ensuring that banks comply with reserve, tax and other requirements.

**It is the opinion of the PW team that improvements in the quality of information are possible, but unlikely until such time that the SB has the authority to insist and enforce the preparation and submission of timely and accurate information.**

**Training can be extremely useful in assisting the BG, SB and other members of the Guatemalan financial community improve financial analysis and accounting skills. First steps include training needs assessments of the BG and the SB. Based on the needs assessments, the PW team recommends that training support be provided to the BG, which currently operates a successful, fledgling training program. Once significant progress toward legislative reform to empower the SB is made, the PW team recommends training and technical assistance be provided to the SB.**

The Government of Guatemala (GOG) has included financial sector modernization as an important element of reform over the next five years. The following section presents the GOG's program for financial reform.

#### **IV. GOVERNMENT OF GUATEMALA PLAN FOR REFORM**

In November 1991, the GOG issued a five-year economic strategy designed to encourage sustained growth and strengthen the delivery of social services. In outlining the short and medium term objectives of GOG economic and social policies, "Hacia Una Democracia" (Towards an Economic and Social Democracy) outlines a strategy for the modernization of the financial sector to achieve the following goals:

- Improve the efficiency of financial intermediation;
- Increase the availability of banking services;
- Facilitate access to financial resources;
- Enhance competitiveness in the financial sector; and
- Create orderly institutional conditions for the efficient conduct of monetary, credit and foreign exchange policies.

To attain these goals, the GOG plans to implement the following measures:

- Adapt the legislation governing banking and financial activities to the conditions that emerge as a result of modernization;
- Modify the functions of the SB and revise the methods and techniques of its supervisory procedures in order to improve banking regulation and supervision;
- Improve the availability, timeliness, and relevance of the information gathered and processed to enhance the early warning capabilities of the SB;
- Design and implement training and other programs necessary to prepare the human resources employed in the financial sector for the new challenges and responsibilities stemming from modernization.

These goals have the wide support of the international donor community. The following section outlines the program of the Inter-American Development Bank.

## **V. PROGRAM OF THE INTER-AMERICAN DEVELOPMENT BANK**

At the present time, the GOG and the BID are negotiating the terms of an upcoming loan to support financial sector modernization.

**Since many of the objectives for financial sector modernization of both the USAID and the BID coincide, Price Waterhouse strongly recommends that USAID/Guatemala pursue close coordination with and support of the BID at the policy dialogue, technical assistance and training levels.**

This section will briefly introduce some of the areas contemplated in the BID program and suggest those in which the USAID could provide assistance. As emphasized throughout this report, the first order of priority for USAID/Guatemala should be to work with the GOG and BID to facilitate legislative reform that would empower the SB. These efforts include both policy dialogue and technical assistance in drafting legislation. They could also include technical assistance to support the reorganization process of the SB. The second immediate priority area for USAID/Guatemala should be training to the BG, and later the SB.

The areas of the BID program include monetary policy, the regulatory framework, banking supervision and banking operations, and are summarized below.

### **A. Monetary Policy**

Two monetary policy issues under discussion between the BID and the GOG are bank reserve requirements and the conduct of open market operations.

- USAID could support this effort by providing technical assistance in the area of **Open Market Operations**.

### **B. Regulatory Framework**

Regulatory framework issues considered in the BID program include banks' credit portfolios (establishing minimum information requirements that banks need to collect and maintain on their clients, and establishing regulations for and a consistent system of loan classification); accounting standards and auditing practices (updating the current accounting manual of the SB, enforcing its use and establishing external audit requirements for financial institutions); and risk exposure (credit concentration, affiliated party transactions, risk provision and collateral issues).

In addition to policy dialogue support to the above efforts, the USAID could provide technical assistance to the monetary authorities to:

- analyze, identify and establish **minimum information requirements**;
- design an appropriate system for **loan classification**; and,
- upgrade the **current accounting manual** of the SB in accordance with international standards.

### **C. Banking Supervision**

Regarding the safety and soundness of the financial system, the BID and the GOG are discussing creating an autonomous and independent Superintendency, establishing a disciplinary regime, initiating the related enforcement and compliance powers of the SB, and reorganizing the SB.

**The most important contribution that the USAID can make to financial sector modernization in Guatemala is to provide policy dialogue support for these changes.**

**Of parallel importance is to provide related technical assistance to the monetary authorities to assist them achieve these goals. Areas of technical assistance that USAID could provide include:**

- outside expertise to **draft legal amendments** needed to advance the process, such as drafts to establish the independence of the SB or those to determine the disciplinary regime. Given the dynamic nature of the modernization process, specific areas of legal assistance will be dictated by progress underway and the timing of the technical assistance.
- outside expertise to assist the SB implement its **restructuring and reorganization** plan including assessing needs and providing training, organization and management advise.

### **D. Banking Operations**

Regulations prohibit banks from providing services which are common in most open financial systems. An important aspect of modernization under consideration by the BID and the GOG is expanding the types of services banks can provide while at the same time drafting the appropriate legislation establishing minimal capital levels required to support such operations. Entry and exit barriers are another important area.

Once legal reforms have been enacted that assure the autonomy, independence and enforcement powers of the SB, the USAID could provide technical assistance to:

- design the appropriate **regulatory framework** to support expanded bank operations;
- review existing laws and norms and recommend changes to legislation on **entry and exit requirements**.

As noted, many of the aforementioned policy and technical areas under negotiation by the BID and GOG are those to which the USAID can make a significant contribution. The following section of this report lists and explains in priority sequence recommended areas for USAID intervention.

## VI. PROGRAMMATIC RECOMMENDATIONS FOR USAID/GUATEMALA

USAID/Guatemala can further the process of financial sector modernization through **policy dialogue** with the GOG and BID to effect legal and normative reforms of the financial sector; by providing **technical assistance** to the GOG in key areas to help advance the pace of modernization; and by **providing training** including a needs assessment and program design and implementation.

The most important contributions that the USAID can make to the process of financial sector modernization are to:

- **Empower the Superintendency;**
- **Assess training needs of BG and SB; and,**
- **Commence training support to the BG.**

This section of the report will first recommend ways in which the USAID can further the efforts to empower the SB. It then will recommend training support to the BG. Since much discussion on empowering the SB has already been elaborated in earlier sections, most of the discussion will be devoted to recommendations on training.

### A. Empower the Superintendency

The most important efforts the USAID can undertake are those related to strengthening the Superintendency. To make financial reform meaningful, a strong Superintendency of Banks is needed. It needs to be autonomous, its responsibilities need to change and its authority needs to be enhanced.

**The main focus of USAID discussions with the GOG should be establishing the autonomy and increasing the authority of the SB.**

- The SB should be autonomous. This will require a profound change in its relationship to the Monetary Board.
- The SB should be empowered with the authority to require and receive accurate, timely and useful information from the financial institutions it supervises. The SB should have enforcement, and less broad interpretive powers.
- The role of the SB should be to ensure the safety and soundness of the financial system. Its purpose is to protect depositors and assure a payments system. The SB should collect financial information, analyze risks and take disciplinary measures as warranted. It should reorient its

focus so as to perform fewer tasks of marginal importance, such as ensuring compliance with IVA, reserve requirements, etc.

In addition to engaging in policy dialogue with the GOG on these matters, the USAID can assist the GOG enact reform through the provision of technical experts to revise and/or rewrite, various pieces of legislation. Monetary officials indicated to the Price Waterhouse team that a significant constraint to the modernization process was insufficient human resources to draft the needed amendments and legislation.

**Monetary authorities suggested that the USAID could make a very important contribution by providing outside, senior level, technical advisors with considerable international experience to work with local bankers and attorneys in drafting such legislation.**

It is essential that the teams providing this assistance include both Guatemalan and expatriate advisors with expertise in law, banking and finance. Only a Guatemalan lawyer will fully appreciate the overall legal framework and context for the new legislation. Outside advisors bring the experiences of legislative reform in a variety of similar countries. It is imperative that the team include bankers as well as attorneys so that financial ambiguities, such as those which exist in the current law, are not replicated in a future one.

Technical assistance should also be provided to perform an assessment of the training needs of the SB in anticipation of its restructuring and reorganization. Once basic reforms are known, then training to the SB can be provided either through the on-going BG program or through the development of a separate one.

While the first priority area for legal reform is that of establishing the independence, autonomy and enforcement powers of the SB, the second immediate and non-conditional priority area should focus on providing training support to the BG.

## **B. Commence training support to the BG**

### **1. Introduction**

Training activities which the USAID elects to support in the banking sector of Guatemala should respond to the needs created by the government-initiated financial modernization. The GOG has documented its broad goals for reform in HACIA UNA DEMOCRACIA, where it identifies a modernization program which will change how the commercial and retail private sector banks, BG and SB will conduct their activities in the near future.

In discussions with the members of the Price Waterhouse team, GOG officials and private sector financial institution leaders concurred with the written objectives of financial modernization and identified areas of need for retraining core staff of the BG, SB and the private sector bankers. Senior level managers of both commercial banks, "financieras" and "almacenes" as well as the regulatory agencies (BG and SB) have indicated a priority need for retraining the staff of the BG and SB, to be able to provide impartial and effective supervision of bank operations, accurate evaluation of bank portfolios and timely intervention, when required.

### **2. Rationale**

PW recommends that training needs be assessed and training be provided to staff of the BG and SB and that the commercial banks are adequately funded and motivated to provide their own training programs.

At present, the GOG along with international donor agencies, such as the Inter-American Development Bank (IDB) and the International Banks for Reconstruction and Development (IBRD), are discussing ways to modernize the Guatemalan financial sector. This will likely result in changes for that will affect the way banks do business and regulators supervise financial institutions.

The GOG's current negotiations with the IDB will determine the necessary structural changes which must be begun to facilitate subsequent loans from both the IDB and The World Bank to the GOG. The results of this effort may create a unique opportunity for the USAID to harmonize its efforts with the final outcome of this discussion--providing early retraining opportunities that will facilitate timely implementation of new supervisory, information gathering and analytical tasks.

### 3. Focus of Program

Since the Guatemalan banking sector lends primarily to national borrowers rather than to an international market, the focus of a training needs assessment should be the national credit process. While trade related banking will continue to comprise a growing portion of certain private banks' credit and processing opportunities, the mandate for significant change calls for the opening up of the system to more Guatemalan borrowers and savers.

The mandate also includes the safety and prudential operation of that system. Hence the opportunity for the market to develop new products and services--including futures markets (commodity, currency and rate based), will continue to expand. To the extent that the private sector deems it appropriate--i.e., profitable, to respond--it will. There are no inherently unique bottlenecks to development of the internationally oriented products and services. Rather, the largest impediment to expansion of the private financial markets is structural. Given the current structure, private banks are behaving, at present, in a rational economic manner. They allocate their resources for credits where the risk is acceptable and profit is attractive.

To the extent that the BID and the World Bank are able to come to agreement with the GOG concerning the steps to be taken to open the financial system up to greater participation as well as to restructure it to assure greater safety for those who participate, technical assistance and training should focus on issues that reinforce the efforts of the BID to encourage the GOG to:

- establish a more independent bank supervisory agency;
- establish an authority for early bank intervention;
- establish norms of safety and soundness;
- simplify normative procedures for the Central Bank and Superintendency;
- establish minimum capital requirements;
- establish conservative classifications for loans; and,
- improve risk assessment profiles.

The significant training that will be required to prepare all participants for these changes will require a sizeable effort on the part of the GOG. When these changes are undertaken they will clarify how the regulators and the market can proceed with the newly formed standards of financial and accounting information that regulators, fiscal authorities, and the market will demand. At the present time, focusing on training directed at basic house-keeping in banking will prepare the leaders and staff of the various institutions for the subsequent work to be done in accounting standards, improved loan classification schemes, new product development, cash-flow based lending, etc.

As mentioned above, the BG and the SB are clearly in need of assistance to reposition and retrain their staffs to the policy and market changes that the financial sector continues to experience. The outcome of negotiations with the BID may produce a more accelerated phase of structural change. Management of both institutions is aware of this possibility and concerned with its ability to respond to the new environment.

With regard to the commercial private banks, until such time as the BID completes its negotiation with the GOG, the USAID should identify existing efforts already underway to retrain core staff of the private banking sector in anticipation of the new requirements that may accompany restructuring. As the structural changes are implemented they will reorient both the regulators and banker to more substantive issues of bank soundness and safety. In the interim, any technical assistance should be prepared to facilitate the retraining process.

#### 4. Target Groups

##### Bank of Guatemala

The BG currently provides extensive training to its own employees as well as non-bank employees and other Central American central bankers. The BG's program is the most fully developed of its kind in Guatemala. It enjoys considerable prestige in the banking community and serves as a leader in professional training and orientation as well as daily banking operations. While the BG program has made significant progress over the past three years, its management identifies a pressing need to expand its program's reach as well as upgrade current programs. A significant constraint is budgetary. This will be compounded by subsequent structural changes in the financial sector that will call upon the BG to respond quickly to new demands--ones the current funding arrangements cannot meet.

The BG's professional level curriculum is available for the use of its staff as well as employees of other financial sector organizations in addition to the general public. As the leading educator of the financial sector the Bank not only develops its own programs but also coordinates other training for the financial sector, bringing together the resources of its own institution as well as the universities of Guatemala, foreign universities such as INCAE, international monetary and banking authorities, and professional organizations such as CEMLA.

The President of the Banco de Guatemala indicated a high priority for the retraining of BG staff to assume new responsibilities of a progressively deregulated industry. Subsequent conversations with human resource and training directors underscored the importance the Bank places on professional development of its staff as well as others in

the banking sector. Clearly the Bank is preparing its staff for a more market-oriented financial sector.

While the BG training staff has made impressive strides in establishing its program, it is clear that the Bank of Guatemala would benefit from additional resources to bring its program further into the main stream of international banking standards.

**Senior level management of the BG indicated to the Price Waterhouse team its interest in receiving assistance to upgrade the bank's ongoing training program. The PW team recommends that USAID support improvement and strengthening of the already existing and very respectable program and facility at the BG.**

### Superintendency of Banks

The SB does not have as well developed a training program for its employees as the BG. However, SB management is responding to the expected changes in its operations viz-a-viz more deregulation in banking. It has prepared a training program for its professional staff to begin addressing the increasing focus on portfolio quality, appropriate supervision, etc. The role of the SB with regard to enhanced supervision--portfolio evaluation, audit operations and timely intervention have not yet been established. The SB's constraints to human resource and technical development are as much structural as they are financial. Once a determination is made by the GOG to orient the SB's efforts to substantive supervisory and enforcement issues it can begin to upgrade what is probably the weakest technical link in the financial sector.

### State Banks

As for state banks, the Government of Guatemala owns three banks which have assets in excess of Q1.0 billion, or 8.6% of the total assets outstanding in the regulated financial market. The three banks address the traditional areas of national policy for state intervention: housing, mortgages and agricultural development.

At the time of the Price Waterhouse mission to Guatemala the Banco Nacional de la Vivienda was intervened by the regulatory authorities. This bank was known to have considerable financial difficulties for the past several years. Its disposition will be determined by the GOG rather than by the regulators per se.

The mandate of the state-owned banks is distinctive from that of a regulated privately owned financial institution. Due to the difference in objective, the relatively small size of the state-owned sub-sector, 8.6% of the total, it is recommended that the training needs of this group be assessed on a different basis, subject to overall policy objectives that are distinct from those of financial sector reform.

A role for state-owned enterprises in financial intermediation should be investigated separately. It is clear that if the mandate for a housing bank can be clarified, that technical assistance in evaluation of structure, operations and training will be sorely needed.

### Private Sector

The private banking sector has demonstrated that it has ample financial and human resources to respond to new market opportunities as well as improved supervisory requirements. With the current liberalization in the banking sector many banks have responded with new products, sophisticated operations systems, and, most importantly, an appetite for the benefits of an open financial system.

The private sector is able to develop its own training resources to meet market opportunities. Guatemala's private sector commercial banks are remarkably well poised to respond to further liberalization and rationalization of the banking sector.

## **5. Training Recommendations**

### Bank of Guatemala

**Price Waterhouse recommends that USAID undertake a needs assessment of the BG training program to:**

- evaluate current program offerings;
- review program objectives;
- review BG evaluations on targeted groups;
- identify resource/delivery strengths and weaknesses;
- establish a basic methodology for reorientation of curriculum to encompass new supervisory responsibilities; and,
- develop a technical assistance program for USAID which will allow the BG, and perhaps other financial institutions to gradually assume full financial responsibility for an expanded training program.

The BG is aware of the need to open the process of training development to the financial community at large. In the absence of leadership from other quarters it is imperative that the BG continue and expand its current training efforts.

**PW further recommends that the BG training program be self-sustainable. USAID financial support should be of limited duration (3-5 years) and diminish over time.**

As the restructuring of the financial sector proceeds the BG, as well as other participants in the system, will be able to ensure that the training program is self-sustaining.

### Superintendency of Banks

At the present time it is recommended that no specific technical assistance program be considered for the SB. However, the needs assessment of the BG could include an SB component in anticipation of eventual SB-restructuring. When the role of the SB, with regard to enhanced powers to effectively supervise commercial banks (and non-banks) is established, USAID will be able to better assist in developing and implementing the organization's technical and training program. In the interim period arrangements with the BG program may be considered by the BG and SB authorities. The USAID should avoid supporting the implementation of a SB training program which may duplicate major aspects of the BG effort already in place.

If the SB is able to attain an autonomous and authoritative regulatory role, then training would be useful. This program should be funded by the commercial banks as they would benefit from a stronger SB. This is an appropriate tax on the banks and should not be supported by USAID.

While the Guatemalan banking/financial sector lacks an independent high-level training institution to serve the BG, SB and commercial banks, the BG has made an essential start to training Guatemalan bankers--both central bank and private sector, at international professional standards. As financial sector modernization progresses it will put increasing pressure on the BG and the SB. Once the nature of the reforms is known it will be easier to respond to the needs of the SB. In the interim period the BG and its training programs represent the best opportunity to lessen the constraints on technical and human resources in the private commercial banking sector. It can also play a role in the development of human capital in the public sector banks once their roles are reassessed and subsequent programs are restructured.

# **APPENDIX I**

## **SCOPE OF WORK**

## Statement of Work

### I. Background and Objectives

Over the past six years, the Government of Guatemala implemented a broad-based stabilization program. Monetary and fiscal policies were tightened, overt restrictions to international trade were removed and the role of the state in distributing scarce resources was sharply limited.

Given the success of the stabilization program of the government, there is a need at the current time to examine the most pressing constraints to medium term economic growth. The objective of such activity is to provide conditions necessary for sustained increases in trade and private sector investment. One of the principal constraints to such activities is the weak and fragmented structure of the financial system. As international capital flows have declined sharply, the reliance on domestic savings mobilization has become correspondingly important.

Numerous changes need to be introduced into the financial system. Given its importance, virtually all donor agencies are focusing on this area. The World Bank and the IDB, for example, are beginning a sector assistance program linked to the SAL. That program is expected to begin in late 1992 or early 1993. Given such interest, the Guatemalan Chamber of Entrepreneurs (CAEM), in cooperation with the Mission, has chosen to focus on a narrow range of financial sector activities to improve the environment for trade and private sector investment in Guatemala. These activities are considered to be the necessary first steps for the implementation of an effective structural adjustment in the financial sector.

### II. Scope of Work

Three areas have been chosen for special attention: the quality of financial information, bank supervision and regulation and specialized training for leaders in the financial sector. It is believed that progress in all three areas is a necessary first step in the modernization of Guatemala's financial system.

## A. Quality of Financial Information

One of the key factors in the effective functioning of financial systems and in achieving public confidence in those systems is the availability of reliable comparative financial information. In Guatemala, there exists extensive information concerning the performance of financial institutions, but it would be beneficial to improve such information and make it available on a more timely basis, especially in view of the fact that current systems for consolidation and analysis may be contributing to significant delays. This situation could worsen as the number of banks in the country increases. As a result of achieving information improvements, investors would enjoy more efficient and timely means for evaluation their investment options which, in turn, would improve overall confidence in Guatemala's financial system.

Most of Guatemala's financial institutions are obligated to have external audits by prestigious local firms which follow U.S. standards. Nonetheless, it would still be useful to gain external audit guidance and to further standardize the information which the Guatemalan banks must publish concerning their performance.

The consultants should first review and evaluate Guatemala's current financial information base, including such studies of the subject already carried out by international organizations in conjunction with the Bank of Guatemala. The consultants' work will be divided into two parts. The first will include an examination of the existing financial accounting and reporting environment. The second part will be the development of recommendations for changes in policies and regulations. The report on the first part will include:

- o a review of the regulatory and tax reporting requirements for financial institutions, identifying differences between commercial banks and financial corporations;
- o a review of accounting and audit standards of commercial banking institutions;
- o an assessment of the accounting and financial information provided to the Bank of Guatemala and the Superintendency of Banks; and
- o an assessment of the degree to which conventional reporting standards meet the official reporting requirements.

The second part of the study will include:

- o recommendations concerning changes in GOG policies governing information disclosure; and
- o recommendations for changes in regulations, for technical assistance needed in the development of accounting and auditing standards.

#### B. Bank Supervision and Regulation

The Guatemalan banking system is expanding at a rapid pace. In 1990, there were 23 commercial banks. Three new banks were approved in 1991 and six more are under consideration. The rapid proliferation of commercial banks increases domestic competition and stimulates efforts to increase the domestic market for financial services.

The expansion of Guatemala's banking system and the trend toward deregulation could clearly endanger the stability of the entire financial system. Although under current legislation there exist provisions for supporting and stabilizing a bank facing difficulties, and even for undertaking drastic measures when necessary, the legal framework, including preventive and reactive methodologies, could stand improvement. For this reason, support should be provided to the Superintendency of Banks in the design and conduct of studies and the development and implementation of plans to achieve such improvement. This work should be oriented first toward preventive supervision, including improvement and technical upgrading of supervision procedures.

The consultants will assess existing regulatory and supervisory requirements and procedures and make recommendations as appropriate. Specifically the contractor will:

- o review and evaluation Degree 7-72 for the purpose of determining if it is consistent with the focus of financial liberalization and, as necessary, recommend additional or alternate standards and procedures appropriate to curing bank difficulties;
- o evaluate other existing legislation, norms or plans designed to prevent and/or respond to bank difficulties;
- o evaluate the feasibility of accomplishing bank mergers in Guatemala.

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Based on this information, the consultants will:

- o provide recommendations on the range of bank methods, preventive and reactive, that could be employed in the face of potential and real bank difficulties. Recommended remedies should be consistent with the nature and origin of difficulties;
- o identify the policy and regulatory changes that would be necessary to implement these methods; and
- o outline the technical assistance and training that would be required to develop plans for preventing as well as reacting to potential and real bank difficulties.

### C. Specialized Training for the Financial Sector

Financial markets are diversifying at a rapid pace. New and innovative financial instruments have been developed and new financial institutions are emerging. Among such new instruments are futures markets for interest payments due to international banks, options markets, the securitization of risk, commodity exports and exchange rates. This rapid development of international financial markets poses both an opportunity and a challenge for the financial communities in developing countries.

The consultants will work with the financial community and with CAEM to outline the training needs, options and programs of leaders in the financial sector. The consultants will be expected to identify both local and international sources for training in innovative financial instruments, and will work with other team members to identify sources for training in financial information and bank supervision and regulation.

### III. Time Frame and Level of Effort

- A. Work under this buy-in should begin o/a April 30 and be completed o/a August 30. A six day workweek is authorized.
- B. Level of Effort and expertise required for this consultancy are:

	<u>Person Days</u>
Team Leader	24
Senior Accounting/Audit	24
Senior Training Expert	24
Senior Bank/Finance	18

Bank Supervisor	18
Local Commercial Banker	12
Quality Control	3
Total LOE	123

It is expected that the consultant will contract a local commercial banker if feasible to facilitate access to local institutions and to provide a clearer understanding of how the financial system is functioning.

#### IV. Required Reports

Within three working days after arriving in country, the consultants will present to the Office of Trade and Investment, the Office of Economic Policy Analysis and CAEM a workplan for the consultancy. This workplan will include weekly oral briefings to CAEM and USAID.

Before the consultants leave the country (expected to be o/a June 26), a draft report in English and Spanish as well as a verbal presentation on preliminary findings and recommendations will be submitted to USAID and CAEM. The draft report will be finalized based on comments from CAEM and USAID within ten working days of the consultants departure from Guatemala.

All reports will be prepared in both English and Spanish. The consultants will be responsible for preparing five (5) copies of both the draft and final report.

#### V. Logistical Arrangements

The consultants will be required to provide their own logistical support, secretarial services and translation services. AID, in conjunction with the local consultant, will provide support if required in making necessary contacts with the Guatemalan financial sector.

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# **APPENDIX II**

## **LIST OF PERSONS INTERVIEWED**

# FINANCIAL SECTOR MODERNIZATION IN GUATEMALA

## LIST OF PERSONS INTERVIEWED

<u>Name</u>	<u>Institution</u>
Julio Avendaño Galdámez	Banco Continental, S.A.
Gustavo Ayestas	Superintendencia de Bancos (SB)
Otto Becker	Camara Empresarial de Guatemala (CAEM)
Terry Brown	USAID/Guatemala
Tully Cornick	USAID/Guatemala
Jorge Mario Calvillo	Banco de Guatemala
N. Rodolfo Castellanos	Banco Industrial, S.A.
Oscar Cerdón	Price Waterhouse Guatemala
Kim Delaney	USAID/Guatemala
Fernando Farfan	Banco de Guatemala
David S. Hoelscher	USAID/Guatemala
Steve Lack	Camara Empresarial de Guatemala (CAEM)
Federico Linares	Banco de Guatemala
Jorge Alfonso Molina-Segura	Superintendencia de Bancos (SB)
María Ines Moeschler	Banco de Guatemala
Manuel Perez	Banco Occidente
Jim Philpott	USAID/Guatemala
Fabián Pira	Multibanco

Raúl Monterroso Rivera	Camara Empresarial de Guatemala (CAEM)
Francisco Rohrmann Castillo	Financiera del Pais
Ramón Rosales	Consultant to Superintendencia de Bancos
Gerardo Townson Rincon	Banco de Granai & Townson, S.A.
Edin Velasquez	Banco de Guatemala
Rafael Viejo	BANEX
Elizabeth Warfield	USAID/Guatemala
Steve Wingert	USAID/Guatemala
Manuel Yarhi	FONDESA

# **APPENDIX III**

## **LIST OF REFERENCE MATERIALS**

## **FINANCIAL SECTOR MODERNIZATION IN GUATEMALA**

### **LIST OF REFERENCE MATERIALS**

1. "Guatemala: Private Investment Diagnostic Study," Inter-American Development Bank, February 1992.
2. "Hacia Una Democracia" (Towards an Economic and Social Democracy), Government of Guatemala, 1991-1996.
3. "Ley Organico del Banco de Guatemala" (Organic Banking Law of Guatemala), 1947.
4. The Guatemalan Constitution of 1985
5. "Consideraciones sobre la Reforma del Sistema Financiero en Guatemala" (Considerations about the Financial Sector Reform in Guatemala), Interdisziplinare Projekt Consult GmbH, July 1991.

# **APPENDIX IV**

## **GLOSSARY OF TERMS**

**FINANCIAL SECTOR MODERNIZATION  
IN GUATEMALA**

**GLOSSARY OF TERMS**

<b>BG</b>	<b>Bank of Guatemala</b>
<b>CAEM</b>	<b>Camara Empresarial</b>
<b>GOG</b>	<b>Government of Guatemala</b>
<b>FSDP</b>	<b>Financial Sector Development Project</b>
<b>BID</b>	<b>Inter-American Development Bank</b>
<b>MB</b>	<b>Monetary Board</b>
<b>PW</b>	<b>Price Waterhouse</b>
<b>RFI</b>	<b>Regulated Financial Intermediaries</b>
<b>SB</b>	<b>Superintendency of Banks</b>
<b>UFI</b>	<b>Unregulated Financial Intermediaries</b>