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PROPOSED IN-COUNTRY TRAINING PROGRAM FOR THE BANK OF TANZANIA'S DIRECTORATE OF BANK SUPERVISION

FINAL REPORT

Bureau for Private Enterprise
U.S. Agency for International Development

Prepared for:	*USAID/Tanzania and AFR/ONI*
Prepared by:	*Dennis M. Smyth, Coopers & Lybrand*
Sponsored by:	*Private Enterprise Development Support Project II* *Project Number 940-2028.03* *Contract Number PDC-2028-Z-00-7186-00* *Prime Contractor: Coopers & Lybrand*

April 1993

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LIST OF ACRONYMS

BOT	Bank of Tanzania
BOTDBS	Bank of Tanzania - Directorate of Bank Supervision
BOTTI	Bank of Tanzania Training Institute
CFED	Center for Financial Engineering in Development
CRDB	Cooperative and Rural Development Bank
DANIDA	Danish International Development Agency
EI	The Economics Institute
FED	Finance and Enterprise Development Program
GOT	Government of Tanzania
IFM	Institute of Finance Management
IMF	International Monetary Fund
LART	Loans and Advances Realization Trust
NBC	National Bank of Commerce
PAAD	Program Assistance Approval Document
PBZ	People's Bank of Zanzibar
THB	Tanzania Housing Bank
TIB	Tanzania Investment Bank
TPOSB	Tanzania Post Office Savings Bank
UNDP	United Nations Development Programme

PROPOSED IN-COUNTRY TRAINING PROGRAM

FOR THE BANK OF TANZANIA'S

DIRECTORATE OF BANK SUPERVISION

I. INTRODUCTION

As a component of its Finance and Enterprise Development Program, USAID/Tanzania (USAID/T) is assisting the Bank of Tanzania (BOT) in the development of a comprehensive training program for the staff of its Directorate of Bank Supervision.

In May 1992, at the request of USAID/T, and with the close the cooperation and guidance of BOT senior officers, Coopers & Lybrand conducted an assessment of the BOT's bank supervision training needs. Its principal directive was to identify the options for strengthening the supervisory and regulatory capacity of the Bank of Tanzania. The resulting report outlined a general training plan, including both U.S.-based and in-country training options and ideas.

Following the approval of the Program Assistance Approval Document (PAAD) in July 1992 and the Program Grant Agreement in August 1992, USAID/T began to implement the training plan in late 1992 by funding an initial twelve-month training program, consisting of U.S-.based training by the World Bank, the U.S. Federal Reserve System and private sector training organizations.

USAID/T requested that Coopers & Lybrand return to Tanzania in March 1993 to begin the implementation of the in-country training program. The principal assignment was, in coordination with the BOT, to:

- select the most appropriate training options;
- recommend the timing, duration and proper sequencing of the options chosen;
- specify the technical and financial resource requirements; and
- determine what actions need to be taken to get the program started.

II. BACKGROUND

A. RECENT FINANCIAL SECTOR DEVELOPMENTS

The Government of Tanzania (GOT) has made considerable progress in implementing the financial sector liberalization plans identified and initiated in 1991. Its commitment to these liberalizations has been encouraged and supported through funding and technical assistance from the donor community, especially the International Monetary Fund, World Bank, and USAID. The BOT has played a principal role in the implementation of financial sector policy reforms, including a major portion of USAID's Finance and Enterprise Development (FED) Program. Highlights of several significant developments involving the BOT are listed below.

- BOT's Bank Supervision Department was raised to the status of Directorate and Mr. Ally Mwinyimvua was appointed Director;
- The technical staff of BOT's Directorate of Bank Supervision (BOTDBS) has been increased to 32;
- BOTDBS examiners are in the process of conducting full-scale examinations of the National Bank of Commerce (NBC), the Cooperative and Rural Development Bank (CRDB), and the People's Bank of Zanzibar (PBZ) -- results will be used to determine amount needed to recapitalize these institutions;
- The new draft of the BOT Act is under review by the GOT;
- The BOT has finalized Capital Adequacy and Asset Concentration regulations;
- The BOT will do a test run of its check "clearing house" plan next month;
- The BOT Research Department is drafting rules for a Treasury Bill auction, hoping to start in three months or so;
- The BOT is arranging for an insurance specialist to prepare terms of reference for the drafting of insurance legislation;
- There has been a considerable increase in bureaux de change;
- The transfer of bad assets from NBC to the Loans and Advances Realization Trust (LART) is completed and LART has issued bonds to replace them;
- The partial recapitalization of NBC, and some improvements in operations, has begun;

- Signalling the return of private sector banking to Tanzania, Standard Chartered Bank is expected to open its doors in May and Meridien Bank's commercial banking license has been approved;

- DANIDA developed and funded a restructuring plan for CRDB.

B. PREVIOUS BANK SUPERVISION TRAINING IN U.S. AND OTHER COUNTRIES

1) Recent U.S.-based Training Funded by USAID/Tanzania

February 1993: BOTDBS has two department managers reporting to Mr. Mwinyimvua. Mr. L. Mkila is Manager of the Bank Supervision Department and Mr. Herman Kessy is Manager of the Non-Bank Financial Institution (NFI) Supervision Department. Messrs. Mkila and Kessy recently returned from four weeks of bank supervision training in the United States. The first two weeks (February 1st through 12th) were spent in Washington, attending the "Bank Restructuring Through Supervision and Regulation" course offered by Intrados (see Appendix F). The two managers then attended Federal Reserve training programs[1] for the remainder of the month (February 15th through 26th) consisting of one week of policy training with the Federal Reserve Board in Washington and one week of practical training with the Federal Reserve Bank of New York. They are in the process of preparing a report on their trip and are scheduled to present it to USAID/T in April.

November 1992: Two BOTDBS bank examiners (R.J. Jizwalo and R.J. Tesha) attended the two-week "Bank Restructuring Through Supervision and Regulation" course offered by Intrados (November 9th to 20th).

October/November 1992: Two BOTDBS senior examiners (O. Kitine and M.J. Mitei) attended a three-week intensive seminar (October 19th to November 6th) in Washington for senior central bank supervisors offered jointly by the World Bank and the Federal Reserve System. It covered all major aspects of central bank supervision and also provided participants with a considerable amount of legal and bank regulatory reference material. Appendix E contains background information.

Descriptions and background information about other U.S.-based training courses are attached to this report as appendices.

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[1] Appendix C contains a letter from BOT Deputy Governor N.N. Kitomari to Federal Reserve Chairman Greenspan, sent in January 1993, requesting the Federal Reserve to allow two BOTDBS examiners to train for two weeks with the Federal Reserve in the U.S.

2) Recent Training Funded by Other Donors

In 1992, The United Nations Development Programme (UNDP) initiated the funding of advisors to the Loans and Advances Realization Trust (LART) and was identified as a possible source of funding relating to bank supervision. The UNDP has committed a pool of funds for assisting, among other things, central bank training. The IMF is the executing agent and fund manager for UNDP funds related to central bank assistance.

In July and October 1992, UNDP sponsored the participation of four BOTDBS examiners (H. Ngoshani; I. Nnungu; M. Make; J. Msaningu) in a program offered by the India's central bank, the Reserve Bank of India. The program involved visits by the BOTDBS examiners to India for two-week periods. The program allowed the examiners to experience the workings of the banking and regulatory system of another developing country and compare it to the more liberalized banking environment emerging in Tanzania.

The Swiss Development Corporation organized a seminar in Arusha for senior officials of the BOT and Tanzanian financial institutions, as well as foreign guests, in August 1992. In March 1993, it organized a monetary policy conference for senior BOT officials. It is currently working with the BOT to develop a core training program for several BOT departments.

3) Previous BOT In-house Bank Supervision Training

An IMF-funded advisor began assisting the BOT in 1990. He was assigned responsibility for overseeing the restructuring of the financial system, including the development of prudent banking regulations and guidelines. This formidable assignment, however, left little time for him to teach on-site and off-site bank supervision skills to the staff of the Bank Supervision Department (recently elevated to Directorate status). In October 1991, the advisor organized a training seminar for bank supervision staff and some employees of other BOT departments. It was well-received but it became obvious that comprehensive training was needed in prudent bank supervision methods and procedures.

III. PROPOSED BANK SUPERVISION TRAINING AND TECHNICAL ASSISTANCE

A. TYPES OF TRAINING REQUIRED

Since there were few, if any, individuals in Tanzania with the necessary expertise to train bank examiners, discussions among the World Bank, USAID/T and the IMF during 1992 focussed on the importance of strengthening the supervisory and regulatory capacity of the BOT, partly through the development of a comprehensive training program. USAID/T subsequently assumed the lead role in assisting the BOT in the area of bank supervision and regulation. An important component of the Finance and Enterprise Development Program is a comprehensive training program in bank supervision consisting of in-country and U.S.-based training courses, seminars and short-term technical assistance.

The BOTDBS staff need classroom and practical training in many areas, including: bank accounting; on-site examination procedures; examination report preparation; off-site surveillance; regulations related to contractual savings institutions (insurance companies, pension funds and provident funds); securities markets; and foreign exchange. Training is also needed in critical areas such as: capital adequacy analysis; loan classification and reserving; bank licensing; and asset concentration.

B. PROPOSED IN-COUNTRY TRAINING PROGRAM

1) General Plan

a. initial offering of basic bank supervision course, "The Fundamentals of Modern Bank Supervision," in April 1993;

b. second offering of the basic bank supervision course and initial offering of the "Credit Analysis for Bank Supervisors" course;

c. Federal Reserve trainers and technical assistance at various times during the year (specific dates can be identified once the Federal Reserve responds to the March 1993 request from the BOT governor).

d. ensure that proposed in-country training and technical assistance is coordinated with, and complementary to, proposed U.S.-based Federal Reserve and private sector bank supervision training;

e. ensure that the timing of both U.S.-based and in-country training is coordinated with the BOT's planned on-site bank examination schedule for the year (see Appendix K);

f. require participants to provide oral and written reports on each course attended;

g. arrange periodic meetings between USAID/T and BOT to assess the impact of the training program in order to introduce intermediate and advanced courses as well as in-house training plans for the future.

2) Proposed Schedule and Indicative Budgets

The in-country classroom training plan for 1993 will consist of three phases, outlined below. The timing and duration of the short-term technical assistance proposed for three key areas - on-site examination, preparation of manuals and the drafting of insurance legislation - is yet to be determined due to the need to ascertain the availability of Federal Reserve and private sector technical advisors.

Information about the basic bank supervision course and credit analysis course listed below is contained in Appendix I.

a. Phase One: April through July 1993

April/May 1993

Course:	"The Fundamentals of Modern Bank Supervision"
Date(s):	April 26th to May 14th
Duration:	Three weeks plus four days for preparation
Participants:	20 (17 from BOTDBS and 3 from the banking community)
Trainer(s):	Mr. Paul Vonckx, Jr.
Location:	Arusha, Morogoro or beach hotels near Dar es Salaam
Material:	Three volume set of handbooks, with some 550 pages of material; Federal Reserve videotape of "Accounting for Bank Supervisors"; workbook accompanying the video; lectures given via overhead projector; and detailed case study prepared on Lotus 1-2-3.

Budget:

Honorarium (19 days @ \$600/day[2])	\$11,400
Travel (Round-trip ticket, U.S. - Arusha and/or Dar)	\$6,100
Per diem (22 days at \$115/day)	\$2,530
Use of course materials	\$1,500
Miscellaneous (communication, local transportation, insurance, etc.)	\$800
Participant allowances (Tsh 10,400 x 20 x 20)	Tsh 4,160,000
Participant domestic travel[3] (Tsh 50,000 x 20)	Tsh 1,200,000
Lodging (Tsh 15,000 x 20 x 20)	Tsh 6,000,000
Production (handbooks, video, transparencies)	Tsh 300,000
Training room rental	Tsh 350,000
Miscellaneous (support staff - trvl. & allow)	Tsh 1,180,000

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<u>June/July 1993</u>

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Course:	"The Fundamentals of Modern Bank Supervision"
Date(s):	BOTDBS & USAID/T currently negotiating with Vonckx
Duration:	Three weeks plus one day for preparation
Participants:	Up to 20: BOTDBS examiners who did not attend initial offering of course plus five individuals from banking community
Trainer(s):	Mr. Paul Vonckx, Jr.
Location:	Arusha, Morogoro, Zanzibar or beach hotels near Dar

Budget:

Honorarium (16 days @ \$600/day)	\$9,600
Travel (Round-trip ticket, U.S. - Dar es Salaam)	\$6,000
Per diem (21 days at \$115/day)	\$2,415
Use of course materials	\$1,500
Miscellaneous (communication, local transportation, insurance, etc.)	\$800

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2 USAID maximum daily rate can only be exceeded following an approved waiver from Mission Director.

3 Actual costs in this and other categories will vary depending on site selected and method of transportation.

Participant allowances (Tsh 10,400 x 20 x 20)	Tsh 4,160,000
Participant domestic travel (Tsh 50,000 x 20)	Tsh 1,200,000
Lodging (Tsh 15,000 x 20 x 20)	Tsh 6,000,000
Production (handbooks, video, transparencies)	Tsh 300,000
Training room rental	Tsh 350,000
Miscellaneous (support staff - trvl. & allow)	Tsh 1,180,000

b. Phase Two: August through October 1993

August/September 1993

Course:	"Credit Analysis for Bank Supervisors"
Date(s):	BOTDBS & USAID/T currently negotiating with Vonckx
Duration:	Two weeks plus two days for preparation
Participants:	15 Senior BOTDBS examiners plus 5 individuals from banking community
Trainer(s):	Mr. Paul Vonckx, Jr.
Location:	Arusha, Morogoro, Zanzibar or beach hotels near Dar

Budget:

Honorarium (12 days @ $600/day)	$7,200
Travel (Round-trip ticket, U.S. - Dar es Salaam)	$6,000
Per diem (13 days at $115/day)	$1,495
Use of course materials	$3,000
Miscellaneous (communication, local transportation, insurance, etc.)	$600

Participant allowances (Tsh 10,400 x 20 x 13)	Tsh 2,704,000
Participant domestic travel (Tsh 50,000 x 20)	Tsh 1,200,000
Lodging (Tsh 15,000 x 20 x 13)	Tsh 3,900,000
Production (handbooks, video, transparencies)	Tsh 300,000
Training room rental	Tsh 275,000
Miscellaneous (2 support staff - trvl. & allow)	Tsh 800,000

October/November 1993

Course:	Areas which BOTDBS decide need special attention
Date(s):	to be determined, subject to Federal Reserve reply
Duration:	Two to three weeks
Participants:	depends on topic and examination schedule
Trainer(s):	Federal Reserve representatives
Location:	Morogoro, Zanzibar, Dar or beach hotels near Dar

Budget:

Honorarium (15 days @ $600/day)	$9,000
Travel (Round-trip ticket, U.S. - Dar es Salaam)	$6,000
Per diem (20 days at $115/day)	$2,300
Miscellaneous (communication, local transportation, insurance, etc.)	$800
Participant allowances (Tsh 10,400 x 20 x 20)	Tsh 4,160,000
Participant domestic travel (Tsh 30,000 x 20)	Tsh 600,000
Lodging (Tsh 12,000 x 20 x 20)	Tsh 4,800,000
Production (handbooks, video, transparencies)	Tsh 100,000
Training room rental	Tsh 350,000
Miscellaneous (support staff - trvl. & allow)	Tsh 1,230,000

c. Phase Three: November 1993 through February 1994

November/December 1993

Course:	Areas which BOTDBS decide need special attention
Date(s):	to be determined, subject to Federal Reserve reply
Duration:	Two to three weeks
Participants:	depends on topic and examination schedule
Trainer(s):	Federal Reserve representatives
Location:	Morogoro, Zanzibar, Dar or beach hotels near Dar
Budget:	See estimated budget indicated for October/November 1993.

January/February 1994

Course:	Areas which BOTDBS decide need special attention
Date(s):	to be determined, subject to Federal Reserve reply
Duration:	Two to three weeks
Participants:	depends on topic and examination schedule
Trainer(s):	Federal Reserve representatives or bank trainers
Location:	Morogoro, Zanzibar, Dar or beach hotels near Dar
Budget:	See estimated budget indicated for October/November 1993.

d. Cumulative Budget

- Trainer-related: (U.S. dollars)

Honorarium:	$55,200.
Per diem:	$13,340.
International Travel:	$36,000.
Training materials:	$6,000.
Miscellaneous:	$4,600.
TOTAL:	$114,600.

- Participant-related: (Tanzanian shillings)

Allowances:	Tsh 23,504,000.
Travel:	Tsh 5,400,000.
Lodging:	Tsh 30,300,000.
Production:	Tsh 1,200,000.
Training room rental:	Tsh 2,025,000.
Miscellaneous:	Tsh 6,850,000.
TOTAL:	Tsh 69,279,000.

3) Short-Term Technical Assistance

Short-Term Technical Advisors. There are three areas of critical need to the BOT that cannot be remedied by a two- or three-week course in Tanzania or anywhere else. BOTDBS would like to arrange for three specialists to come to Tanzania for a minimum of three to six months, each to be responsible for one of the following areas: the preparation of bank supervision manuals; teaching of on-site bank examination skills; and the drafting of insurance legislation. Terms of reference for these positions, prepared by the BOTDBS, are contained in Appendix D.

Some of the work the BOTDBS has proposed could require assistance of up to one year or more. The BOTDBS has indicated that it is most interested in having these technical advisors come to Tanzania for at least three months (in order for them to be effective) and is prepared to accommodate desired candidates who would only be available for an initial three months or so. At the end of this initial period, BOTDBS and USAID/T can review the situation to determine if and when there is a need for the individual to return to Tanzania.

The individuals responsible for the preparation of manuals and teaching of on-site supervision skills may also be asked to teach short specialized courses on topics determined by the BOTDBS. This will depend on the response the BOT receives to its requests for assistance from the Federal Reserve.

Proposed Federal Reserve Trainers. Appendix C contains a letter from BOT Governor Rutihinda to Federal Reserve Chairman Greenspan, sent in March 1993, proposing a joint training agreement between the two central banks. The agreement, as envisioned, would establish a linkage whereby select BOTDBS examiners would travel to the U.S. for two weeks of training with the Federal Reserve (referred to as "attachments") and Federal Reserve trainers would, in turn, travel to Tanzania up to three times this year for periods of two to three weeks to offer specialized training in critical areas to be determined by the BOTDBS.

If it is not possible or economical for Federal Reserve trainers to come to Tanzania for two or three weeks, one option would be to use one of the short-term technical advisors proposed above to set aside a portion of his or her time to offer some specialized training courses.

4) Location Selection

Once the content and format of each proposed training course are determined, the related logistical and administrative tasks (such as selection of, and negotiation with, appropriate institution) should be passed to BOT Training Institute (BOTTI) officials. They will work in close coordination with BOTDBS senior staff on all matters related to the in-country bank supervision training courses and seminars. Estimated costs associated with several possible venues, compiled by the BOTTI, are included in Appendix J.

BOTDBS senior staff will ensure that the type of facility chosen for each course takes the following factors into account: course content; teaching method; number of participants; cost and duration of travel; and accessibility of location in relation to participants. It would be advisable that, as a general guideline, courses for senior BOT officials be held in regional cities such as Morogoro, Zanzibar, Iringa and Arusha because it would distance them from the many tasks demanded of them in the normal course of their work day. The same guideline could be followed for courses (such as the basic bank supervision course) using the case study teaching method, which require evening study and interaction among the participants.

Seminars of only a few days' duration, as well as courses which require either little evening study or the participant to be accessible to his or her office in Dar, could be held at the Institute of Finance Management, University of Dar es Salaam, the BOT auditorium or at one of the beach hotels near Dar such as the Bahari Beach Hotel, the Kunduchi Beach Hotel or Karibu Hotel. Use of nearby facilities such as these would allow the BOT to minimize travel time and expenses.

5) 1994 and Beyond

By the fourth quarter of 1993, BOTDBS and USAID/T should be able to see which training courses and seminars have had the most effective impact. In planning the in-country and U.S.-based training schedule for 1994, only the most effective courses and seminars should be continued. Efforts must be made to increase the proportion of in-country training in the overall training program.

Greater emphasis should be placed on assisting the BOT in developing the capability to arrange training programs with limited external assistance. Although there will be cases during the next two or so years when outside experts are needed, BOT should at least be encouraged to develop the capability to contract with these individuals with limited outside assistance.

C. U.S.-BASED TRAINING TO BE INTERTWINED WITH IN-COUNTRY TRAINING

The following information on U.S.-based training is included for informational purposes because of the importance of coordinating this training with the in-country training proposed in this report. A separate budget for the U.S.-based training program has already been developed and approved. Designated dates for the Federal Reserve attachments are subject to change.

1) Federal Reserve System

Course:	Attachment to Federal Reserve
Date(s):	August 16th through 27th, 1993
Duration:	Two weeks
Participants:	4 (H. Ngoshami; I. Nnungu; M. Gasabile; M. Bilali)
Trainer(s):	Federal Reserve Board in Washington, D.C. and Federal Reserve Bank of New York
Location:	Washington, D.C. and New York City

Course:	Attachment to Federal Reserve
Date(s):	September 26th through October 8th
Duration:	Two weeks
Participants:	2 (C.G. Singili and H. Mtega)
Trainer(s):	Federal Reserve Board in Washington, D.C. and Federal Reserve Bank of New York
Location:	Washington, D.C. and New York City

Course:	"Seminar for Senior Bank Supervisors from Developing Countries"
Date(s):	October 18th through November 5th
Duration:	Three weeks
Participants:	2 (A. Mwinyimvua and M. Ngatigwa)
Trainer(s):	World Bank/Federal Reserve System
Location:	Washington, D.C.

Course:	Attachment to Federal Reserve
Date(s):	November 22nd through December 3rd, 1993
Duration:	Two weeks
Participants:	2 (A. Mwinyimvua and M. Ngatigwa)
Trainer(s):	Federal Reserve Board in Washington, D.C. and Federal Reserve Bank of New York
Location:	Washington, D.C. and New York City

2) Private Sector Organizations

In addition to World Bank and Federal Reserve training courses, it was decided that private sector training resources would be incorporated into the training program in order to provide a wide range of relevant and professional courses. The private sector training organizations to be used for U.S.-based training are: the Economics Institute (EI), the Center for Financial Engineering in Development (CFED), and Intrados. Descriptions of these organizations and course outlines are included in Appendices F through H.

Course:	"Bank Examination"
Date(s):	July 12th through August 13th, 1993
Duration:	Five weeks
Participants:	4 (H. Ngoshami; I. Nnungu; M. Gasabile; M. Bilali)
Trainer(s):	The Economics Institute
Location:	Boulder, Colorado

Course:	"Bank Restructuring Through Supervision and Regulation"
Date(s):	November 8th through 19th, 1993
Duration:	Two weeks
Participants:	2 (A. Mwinyimvua and M. Ngatigwa)
Trainer(s):	Intrados
Location:	Washington, D.C.

Course:	"Restructuring Banking Institutions: Techniques for Managing Successful Turnarounds"
Date(s):	September 13th through 24th, 1993
Duration:	Two weeks
Participants:	2 (C.G. Singili and H. Mtega)
Trainer(s):	Center for Financial Engineering in Development
Location:	Washington, D.C.

D. RECOMMENDATIONS FOR IN-COUNTRY TRAINING PROGRAM

1) Move forward with basic bank supervision courses

It is highly recommended that the in-country basic course identified in this report be offered as scheduled, before proceeding with the proposed U.S.-based training. While the U.S.-based training is a valuable component of the comprehensive training program, the basic bank supervision course is designed to serve as a foundation for the more advanced and specialized bank supervision courses which the BOTDBS staff will need to attend.

2) Continue efforts to identify short-term assistance

It will not be possible to schedule much of the Federal Reserve training and short-term advisory positions proposed in this report until the BOT receives positive responses from the Federal Reserve and private sector individuals. The BOTDBS should pursue this matter strongly in order to begin the proposed assistance as soon as possible.

3) Develop clear selection & review process for participants

Encourage BOTDBS to develop written criteria related to the selection process for in-country and international training. This will ensure that appropriate individuals are sent to the appropriate courses.

Once individuals complete training courses or attachments, BOTDBS should determine whether expected results were achieved before sending individuals for more advanced training.

4) Coordinate training schedule with examination schedule

Appendix K contains a time line of the proposed training and examination schedule. The BOTDBS should make every effort to ensure that there is close coordination of these two important schedules. Prior to the selection of individuals to participate in a training course, the BOTDBS senior staff should determine if that particular examiner is needed for a scheduled bank examination.

The BOTDBS is currently conducting full-scale examinations of the National Bank of Commerce (NBC), the Cooperative and Rural Development Bank (CRDB) and the People's Bank of Zanzibar (PBZ). They are expected to be completed by the end of May and are intended to enable the BOT to submit an estimate to the GOT of the amount of funds necessary for the recapitalization of these banks.

Beginning in late July and continuing through October,[4] these examinations will not be as comprehensive as the full-scale examinations but are important to the recapitalization process because they will review the June 30th financial data in order to update the previous recapitalization estimates submitted to the GOT. This "final computation" exercise is also expected to include examinations of the Tanzania Housing Bank (THB), Tanzania Investment Bank (TIB) and, hopefully, the Tanzania Post Office Savings Bank (TPOSB).[5]

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[4] The new banking law requires existing Tanzanian financial institutions to apply for a banking license by October 1993 and for commercial banks established a minimum capital requirement of the greater of: Tsh 1 billion or 8% of total assets plus off-balance sheet assets.

[5] The minimum capital requirement for non-bank financial institutions, beginning in October 1993, is the greater of the following: Tsh 500 million or 8% of total assets plus off-balance sheet assets.

APPENDICES

A Staff Roster of the Bank of Tanzania's Directorate of Bank Supervision.

B Recently Issued Bank of Tanzania Regulations on Asset Concentration and Capital Adequacy Measurement.

C Bank of Tanzania Requests for Assistance from Federal Reserve System.

D Proposed Terms of Reference for Short-term Technical Advisors Requested by the Bank of Tanzania.

E World Bank-Federal Reserve System's "Seminar for Senior Bank Supervisors From Developing Countries."

F Intrados/IMG seminar entitled "Bank Restructuring Through Regulation and Supervision."

G The Economics Institute's 1993 World Banking and Finance Program.

H Center for Financial Engineering in Development Workshop entitled "Restructuring Banking Institutions: Techniques for Managing Successful Turnarounds."

I Description, Course Outline and Table of Contents for the "Fundamentals of Modern Bank Supervision" and "Credit Analysis for Bank Supervisors" courses designed by Mr. Robert Porter.

J Cost Estimates for Selected Hotels Identified by the Bank of Tanzania Training Institute.

K Proposed BOTDBS Training and Examination Schedule.

L List of Persons Interviewed.

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APPENDIX A

Staff Roster of the Bank of Tanzania's Directorate of Bank Supervision.

NAME	Rank	Date of First Appointment	Date Joined Directorate	Remarks
Mwinyimvua A.	Director	12. 10. 1977	01. 11. 1992	
Rustia I.	Advisor	29. 01. 1990	29. 01. 1990	
Mkilla L.	Manager	13. 03. 1978	01. 11. 1992	
Kessy H.	Manager	24. 04. 1979	01. 11. 1992	
* ~~Juma S. K.~~	~~Manager~~	22. 03. 1975	01. 05. 1990	
Ngatigwa M.	Sen. Principal Accountant	01. 0[illegible]. 1970	10. 12. 1991	
Ngoshani H. ✓	Principal Bank Officer II	01. 06. 1969	01. 07. 1978	
Bilali M.	Principal Accountant II	15. 05. 1992	15. 05. 1992	
Nnungu I. ✓	Senior Bank Officer II	24. 04. 1973	22. 08. 1980	Rejoined 14.8.1988
Make M. (M/S) ✓	Senior Accountant I	31. 07. 1978	01. 12. 1982	
Msaningu J. ✓	Senior Accountant I	10. 06. 1970	03. 06. 1988	
Manongi R. S.	Senior Accountant I	02. 05. 1991	02. 05. 1991	
Jizwalo R.	Senior Accountant II	14. 12. 1979	01. 07. 1982	Rejoined 21.5.1987
Gasabile M. J.	Senior Accountant II	13. 05. 1974	04. 01. 1991	
Kitine O.	Senior Accountant II	23. 09. 1980	21. 08. 1991	
Gama C. A. K. (M/S)	Senior Accountant II	21. 04. 1992	21. 04. 1992	
Singili C. G.	Senior Accountant II	01. 06. 1992	01. 06. 1992	
Mrusuri L. (M/S)	Senior Accountant II	06. 01. 1986	18. 09. 1992	
Mtei M. J. (M/S)	Bank Officer I	14. 02. 1977	04. 01. 1991	
Kacheuka O. Y. L.	Bank Officer I	10. 04. 1978	04. 01. 1991	
Mpelwa T. (M/S)	Bank Officer I	01. 10. 1974	01. 10. 1992	
Kamala M. M.	Bank Officer III	17. 08. 1983	14. 12. 1990	
Tesha R. J. (M/S)	Bank Officer III	04. 07. 1991	04. 07. 1991	
Juma J. K.	Accountant I	16. 11. 1990	16. 11. 1990	
Juma A. K.	Accountant II	05. 07. 1985	09. 11. 1990	
Rugaimukamu D.	Accountant II	10. 11. 1986	05. 12. 1990	
Paul A.T. (M/S)	Accountant II	10. 12. 1977	06. 02. 1991	
Ukhotya A. A.	Accountant II	12. 08. 1985	17. 06. 1991	
Rwezaura P.	Accountant II	01. 10. 1980	01. 10. 1992	
Mukoji J.	Accountant II	05. 08. 1985	01. 10. 1992	
Mmari M. J.	Accountant III	04. 07. 1991	04. 07. 1991	
Mramba T. E.	Accountant III	04. 10. 1991	04. 10. 1991	
Kitua G. D. Y.	Accountant III	16. 01. 1992	16. 01. 1992	

* No longer with BS. He is now the Manager Domestic Debt.

APPENDIX B

Recently-Issued Bank of Tanzania Regulations

on Asset Concentration and Capital Adequacy Measurement.

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BANKING AND FINANCIAL INSTITUTIONS ACT, 1991

(NO. 12 OF 1991)

GUIDELINES FOR MEASURING CAPITAL ADEQUACY

Issued under Sections 21 and 51

PART I - PRELIMINARY

1. These Guidelines may be cited as the Capital Adequacy Guidelines. — Short title

2. These Guidelines shall apply to all banks and financial institutions in Mainland Tanzania and Tanzania Zanzibar. — Application

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3. In these Guidelines, unless the context requires otherwise:- **Interpretation**

(1) "adjusted net asset value" as a basis for determining goodwill refers to the value of a business enterprise as determined by deducting its liabilities from the current market or useful value of its tangible and intangible assets disclosed in its books plus or minus any adjustment arising from the calculation of the present value of expected earnings of the existing net assets of the enterprise;

(2) "the Bank" means the Bank of Tanzania;

(3) "bank" means a financial institution authorised to receive money on current account subject to withdrawal by cheque;

(4) "banking business" means-

(a) the business of receiving funds from the public through the acceptance of money deposits payable upon demand or after a fixed period or after notice, or any similar operation through the frequent sale or placement of bonds, certificates, notes or other securities, and the use of such funds either in whole or in part for loans or investments for the account and at the risk of the person doing such business; and

(b) any other activity recognised as customary banking practice which a financial institution engaging in the activities described in paragraph (a) above may be additionally authorised to do by the Bank;

(5) "capital deficiency" means shortfall in the minimum capital required under these Guidelines;

(6) "core capital" may be used interchangeably with "tier 1 capital" to mean permanent shareholders' equity in the form of issued and fully paid-in shares of common stock plus all disclosed reserves, less goodwill or any other intangible assets;

(7) "credit accommodation" may be used interchangeably with the term "credit facility" to include any loan as defined in subsection 3(19) of these Guidelines, lease financing, foreign exchange contracts, currency and interest rate options, credit line, and any other form of direct or indirect, real or

contingent, financial obligation to a bank or financial institution;

(8) "credit risk" means the risk arising from the nonpayment of either principal or interest of a loan or other credit accommodations on a timely basis, or failure of the customer or a person to honour his commitment under a credit, guarantee or suretyship agreement, or the risk of default of a party to a foreign exchange contract;

(9) "director" means any person by whatever title or designation known carrying out or empowered to carry out functions in relation to the direction of a bank or financial institution which are substantially the same as those carried out by a member of the board of directors of a company incorporated under the Companies Ordinance;

(10) "disclosed reserves" includes all reserves created or increased through share premiums, retained earnings (after deducting all expenses, provisions, taxation, and dividends), and general reserves, if such disclosed reserves are permanent and unencumbered and thus able to absorb losses;

(11) "financial institution" means any person authorised by law or the Bank to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque;

(12) "financial intermediation" means the lending, investing or placement of funds and/or securities received, acquired or obtained from the general public or from a well-defined group of persons by way of deposit, borrowing, contribution, premium, or in a fiduciary capacity, either for the account of the person receiving such funds or securities or for the account of others;

(13) " general provisions" when used in relation to supplementary capital or provisioning for loan losses means the amount that is taken up as a charge against revenues or income without going through the process of reviewing the weaknesses of individual loan accounts. General provisions are credited to "Allowance for Probable Losses" and form part of supplementary capital that is available to absorb presently unidentified losses in the loan portfolio;

(14) "general reserves" may be used interchangeably with "retained earnings" to mean the accumulated and undistributed profits which are free and not specifically earmarked or appropriated for any purpose;

(15) "goodwill" means the excess of the price paid for the purchase of the entire or a majority interest in a business firm over its adjusted net asset value as determined by the independent Auditor of a bank or financial institution and approved by the Bank;

(16) "impaired capital" means that the paid-up capital has been eroded by lossses;

(17) "insolvency" means that the financial condition of a bank or financial institution is such that its total liabilities exceed the value of its total assets as determined by the Bank;

(18) "intangible assets" means capitalised organisation costs or pre-operating expenses, prepaid expenses and deferred charges, leasehold rights, goodwill, and such other assets as may be specified by the Bank;

(19) "loans" and "loans and advances" may be used interchangeably to include any loan, discount, advance, overdraft, export bills purchased, other bills received or purchased, import bills, customer's liability on acceptances, drawings against uncleared effects, encashment of cheques drawn against other branches/offices (if the drawer's current account has insufficient cleared and withdrawable balance) or against other banks, or any other credit extended to a person by a bank or financial institution, excluding the undrawn or unavailed balance of any line of credit, guarantee, performance bonds, commercial letters of credit, standby letters of credit, and other similar contingent accounts or off balance sheet items;

(20) "non-accruing loan" means any loan where recognition of interest income has been placed on a cash basis for financial reporting purposes. Interest is no longer accrued in the books of the lending institution nor taken into income unless paid by the borrower in cash;

(21) "non-performing loan" means any loan that is not generating income and such loan has been past due for more than ninety

days, as determined in accordance with the criteria prescribed in section 11 of the Prudential Guidelines on Management of Risk Assets, Classification of Loans and Other Risk Assets, Provisioning for Losses and Accrual of Interest issued by the Bank on 18th October, 1991;

(22) "off balance sheet risks" means all items not shown on the balance sheet but which constitute credit risk. Such risks include guarantees, acceptances, performance bonds, letters of credit, and other off balance sheet items deemed to constitute credit risks by the Bank;

(23) "officers" means the Chief Executive Officer of a bank or financial institution, officials of lower rank down to the assistant head of a department or branch or their equivalent, and all members of a permanent committee or body (including the Regional Board) whose duties include functions of management such as those ordinarily performed by regular officers and all those whose duties as officers are defined in the articles of association or who are generally known to be officers of the institution either through announcement, representation, publication or communication made by the institution;

(24) "other risk assets" means the total assets of a bank or financial institution as reported to the Bank excluding its loans and advances (commonly referred to as risk assets) and cash, gold, amounts due from Bank of Tanzania, government securities, securities issued by the Bank of Tanzania, securities issued by other government institutions which are unconditionally guaranteed by the Government as to repayment of principal and interest at maturity date, bank premises, staff housing units, furniture and equipment, and such other assets as may be declared by the Bank as non-risk;

(25) "person" includes a natural person and a juridical person;

(26) "revaluation reserves" means the increment in the recorded or book value of an institution's own premises, fixed assets or long-term equity investments arising from formal revaluation to reflect their current value or an amount closer to their current value than historical cost;

(27) " specific provisions" when used in relation to provisioning for losses on loans or other assets means the amount that is

taken up or should be taken up as a charge against revenues or income after reviewing the weaknesses of specific loans or assets following the procedures prescribed in the Prudential Guidelines on Management of Risk Assets, Classification of Loans and Other Risk Assets, Provisioning for Losses and Accrual of Interest issued by the Bank on 18th October, 1991;

(28) "subsidiary" means a company of which more than fifty per cent (50%) of the total issued and outstanding shares entitled to vote is directly or indirectly owned, controlled, or held with power to vote by a bank or financial institution, or another company;

(29) "supplementary capital" means general provisions which are held against future, presently unidentified, losses and are freely available to meet losses which subsequently materialize, and any other form of capital as may be determined and announced from time to time by the Bank.

(30) "total assets" means the amount submitted under such heading in each monthly balance sheet submitted to the Bank and the amount submitted under such heading in the latest audited balance sheet as verified by an external auditor whose report on such bank or financial institution was satisfactory to the Bank.

(31) "total capital" means the sum of core capital and supplementary capital.

PART II - STATEMENT OF POLICY

4. These Guidelines aim to provide the depositing public with reasonable protection by enhancing the capability of banks and financial institutions to absorb unexpected losses and thus, minimize the incidence of bank failure. Objectives

5. The efficiency of the financial system in allocating economic resources and its capacity to grow depends largely on the strength of the capital position of its individual components. In the same light, a strong capital position provides the management of every bank and financial institution the flexibility to withstand economic pressures and install the measures necessary to correct adverse developments.

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6. In consonance with the Policy and Procedural Guidelines on the Licencing of Banks and Financial Institutions issued on 8th November, 1991 (hereinafter referred to as the Licencing Guidelines), a bank or financial institution may be allowed to expand its activities as it increases its core capital to specified levels. These Guidelines reiterate such policy.

PART III - REQUIRED MINIMUM CAPITAL OF BANKS

7. Every bank shall commence operations with a core capital of not less than 1,000,000,000 shillings and shall maintain this minimum amount at all times. Existing banks which have indicated to the Bank their intention to carry on banking business, as provided under section 26 of the Licencing Guidelines, shall build up their core capital to at least 1,000,000,000 shillings, not later than 18th October, 1993. Initial Capital

8. Every bank authorised by the Bank to perform the duties and functions of a trustee and/or to carry out other fiduciary functions such as, guardian, receiver, liquidator, executor, or administrator of funds or property for the use or benefit of others, shall maintain at all times a core capital of not less than 1,500,000,000 shillings. Capital of a Bank with Trust Functions.

9. Every bank authorised by the Bank to perform any or all of the additional powers, privileges and activities specified in section 32 of the Licencing Guidelines, shall maintain at all times a core capital of not less than 2,000,000,000 shillings. Capital of a Bank with Expanded Powers

10. Every bank authorised by the Bank to establish a branch or subsidiary abroad shall maintain at all times a core capital of not less than 5,000,000,000 shillings. Capital of a Bank with Branch Abroad

11. Every bank shall maintain daily a minimum core capital and total capital equivalent to 6% and 8%, respectively, of its total assets plus off balance sheet risks. For the purpose of this section, off balance sheet risks shall include, among other things, the undrawn balance of unexpired overdraft lines. Minimum Capital Ratios

12. In determining compliance with the minimum capital requirements under sections 7, 8, 9, 10 and 11 of these Guidelines the following shall be deducted Deductions from Available lines, Capital

from the bank's available capital:-

(a) Amount of a company's equity investment in a bank but not exceeding the bank's reciprocal equity investment in such company; and

(b) Book value of the bank's assets which are mortgaged, assigned, pledged or encumbered in favour of a creditor other than the Bank of Tanzania.

13. The ratios of capital to assets and off balance sheet risk specified under section 11 of these Guidelines are minimum requirements. A bank operating at or near such levels of capital should have well-diversified risks,excellent asset quality, high liquidity, good earnings, and is generally considered as a strong banking institution which has the best or highest rating under the bank rating system that may be prescribed by the Bank. Any bank experiencing significant growth or high levels of risk shall operate well above the minimum capital prescribed in these Guidelines. Requirement to Operate Above the Minimum Capital Required

14. If the Bank, after conducting a review of both on and off balance sheet risks, finds that a bank has insufficient capital, the Bank, in accordance with its powers to correct unsound conditions under section 18 of the Banking and Financial Institutions Act, 1991, shall direct and such bank shall effect a gradual increase of its capital above the minimum required in section 11 of these Guidelines or the reduction of its assets and/or off balance sheet risks, within a period of three months. Capital Deficiency

15. Any bank which for a period of 14 days continuously incurs capital deficiencies shall automatically stop granting new loans and other credit facilities, including the issuance of letters of credit and guarantees, unless prior approval of the Bank has been obtained. The expansion of such bank's branch network and all capital expenditures shall likewise be considered automatically suspended. The suspension of a bank's lending privilege, branch expansion and capital expenditures, shall remain in force for as long as the bank is unable to increase its capital or reduce its assets and/ or off balance sheet risks as directed by the Bank, or to restructure its balance sheet risks to the satisfaction of the Bank. Suspension of Lending Operations, etc.

16. Any director, officer or employee of a bank who sanctions or votes for the approval of any loan or credit facility, branch expansion or capital expenditure while the bank remains under suspension as provided under section 15 of these Guidelines, shall be considered automatically suspended from office. The suspension from office prescribed under this section shall be without prejudice to any other punitive measures which may be applied against the erring director, officer or employee, including but not limited to perpetual disqualification from holding any position or office in any bank or financial institution under the supervision of the Bank.

Suspension of Director,Officer or Employee

PART IV - REQUIRED MINIMUM CAPITAL OF FINANCIAL INSTITUTIONS

17. Every financial institution shall commence operation with a minimum core capital of not less than 500,000,000 shillings and shall maintain this minimum amount at all times. Existing financial institutions which have indicated their intention to carry on banking business as provided under section 26 of the Licencing Guidelines, shall build-up their core capital to at least 500,000,000 shillings, not later than 18th October, 1993.

Initial Capital

18. Every financial institution shall maintain daily a minimum core capital equivalent to 8% of its total assets plus off balance sheet risks.

Minimum Capital Ratio

19. In determining compliance with the minimum capital requirements under sections 17 and 18 of these Guidelines, the following shall be deducted from the institution's available capital:-

Deductions fron Available Capital

(a) Amount of a company 's equity investment in a financial institution but not exceeding the financial institution's reciprocal equity investment in such company; and

(b) Book value of the institution's assets which are mortgaged, assigned, pledged or encumbered in favour of any creditor.

20. The ratio of capital to assets and off balance sheet risk prescribed under section 18 of these Guidelines is a minimum requirement. A financial institution operating at or near such level of capital should have well-diversified risks, excellent asset quality, high liquidity, good earnings, and is generally considered as a strong financial institution which has the best or highest rating under the rating system that may be prescribed by the Bank. Any financial institution experiencing significant growth or high levels of risk shall operate well above the minimum capital prescribed under these Guidelines.

Requirement to Operate Above the Minimum Capital Required

21. If the Bank, after conducting a review of both on and off balance sheet risks, finds that a financial institution has insufficient capital, the Bank, in accordance with its powers under section 18 of the Banking and Financial Institutions Act, 1991, shall direct and such financial institution shall effect gradual increase of its capital above the minimum required in section 18 of these Guidelines or the reduction of its assets and/or off balance sheet risks, within a period of three months.

Capital Deficiency

22. Any financial institution which for a period of 14 days continuously incurs capital deficiencies shall automatically stop making new loans and investments and off balance sheet commitments unless prior approval of the Bank has been obtained. The expansion of such institution's branch network and all capital expenditures shall likewise be considered automatically suspended. The suspension of the institution's lending and investment privileges shall remain in force for as long as the institution is unable to increase its capital or reduce its assets and/or off balance sheet risks as directed by the Bank, or to restructure its balance sheet risks to the satisfaction of the Bank.

Suspension of Lending and Investment Operations

23. Any director, officer or employee who sanctions or votes for the approval of any loan or credit facility, investment, off balance sheet commitment, branch expansion or capital expenditure while the institution remains under suspension as provided under section 22 of these Guidelines, shall be considered automatically suspended from office. The suspension from office prescribed under this section shall be without prejudice to other punitive measures which may be applied against the erring director, officer or employee, including but not limited to

Suspension of Director, Officer or Employee perpetual disqualification from holding any position or office in any bank or financial institution under the supervision of the Bank.

PART V - COMPUTATION OF CAPITAL POSITION

24. Every bank and financial institution shall:-

(1) Compute in the prescribed manner its capital position on the bases of its available capital and the sum of its total assets and off balance sheet risks as at the close of business for the day; Computation of Capital Position

(2) Include in the computation of the required capital any instruction from the Bank to increase its capital; Inclusion of Required Capital Increase

(3) Maintain suitable and adequate records to facilitate verification of its capital position; Maintenance of Records

(4) Require its external auditors (i) to compute its capital position as at the end of each financial year taking into account the requirements of the Banking and Financial Institutions Act, 1991 and all relevant prudential guidelines issued by the Bank; and (ii) to render a statement on the adequacy or inadequacy of its capital; and Responsibility of External Auditors

(5) Submit periodic reports on its capital position as may be required by the Bank. Submission of Reports

25. For the purpose of computing its capital position, the principal office of each bank and financial institution in Tanzania and all its branches and agencies, regardless of country domicile, shall be considered as a single unit. Consolidation of Banking Units

PART VI - ADMINISTRATIVE SANCTIONS

26. Without prejudice to the other penalties and actions prescribed by law, and unless otherwise required in these Guidelines, the deliberate violation of any of the provisions Penalties

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hereof will attract one or more of the following administrative sanctions:-

(1) Prohibition from declaring and/or paying dividends;

(2) Suspension of the privilege to open new branches;

(3) Suspension of access to the credit facilities of the Bank;

(4) Suspension of lending and investment operations;

(5) Suspension of the privilege to issue letters of credit/guarantee;

(6) Suspension of capital expenditures;

(7) Suspension of the privilege to accept new deposits;

(8) Revocation of banking licence;

(9) Suspension from office of the erring director, officer or employee; and

(10) Perpetual disqualification from holding any position or office in any bank or financial institution under the supervision of the Bank.

PART VII - EFFECTIVE DATE

27. These Guidelines shall have immediate effect.

G. Rutihinda
GOVERNOR

Dar es Salaam
22nd December, 1992

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BANKING AND FINANCIAL INSTITUTIONS ACT, 1991

(NO. 12 OF 1991)

GUIDELINES ON CONCENTRATION OF CREDIT AND OTHER EXPOSURE LIMITS

Issued under Sections 21 and 51

PART I - PRELIMINARY

1. These Guidelines may be cited as the Credit Concentration and Exposure Guidelines. Short Title

2. These Guidelines shall apply to all banks and financial institutions in Mainland Tanzania and Tanzania Zanzibar. Application

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3. In these Guidelines, unless the context requires otherwise:- **Interpretation**

(1) "adjusted net asset value" as a basis for determining goodwill refers to the value of a business as determined by deducting its liabilities from the current market or useful value of its tangible and intangible assets disclosed in its books plus or minus any adjustment arising from the calculation of the present value of expected earnings of the existing net assets of the enterprise;

(2) "allied undertakings" include banks, financial institutions, nondeposit-taking financial institutions, insurance companies, bureaux de change, credit card companies, clearing house, and such other activities as may be specified by the Bank to be allied or related to the business of banking;

(3) "associate companies" means two or more companies linked directly or indirectly to each other through any of the following means:

(a) Ownership, control or power to vote, of ten per cent (10%) or more of the issued and outstanding voting shares of any of the companies;

(b) Interlocking directorship or officership;

(c) Common shareholders owning ten per cent (10%) or more of the issued and outstanding voting shares of the companies;

(d) Management contract or any arrangement granting power to a company to direct or cause the direction of the management and policies of another company; and

(e) Permanent proxy or voting trust in favour of a company involving ten per cent (10%) or more of the issued and outstanding voting shares of another company;

(4) "the Bank" means the Bank of Tanzania;

(5) "bank" means a financial institution authorised to receive money on current account subject to withdrawal by cheque;

(6) "banking business" means-

(a) the business of receiving funds from the public through the acceptance of money deposits payable upon demand or after a fixed period or after notice, or any similar operation through the frequent sale or placement of bonds, certificates, notes or other securities, and the use of such funds either in whole or in part for loans and investments for the account of and at the risk of the person doing such business; and

(b) any other activity recognised as customary banking practice which a financial institution engaging in the activities described in paragraph (a) above may additionally be authorised to do by the Bank;

(7) "collateral" may be used interchangeably with the term "security" to mean the asset, right, or interest pledged, assigned, mortgaged or in any manner hypothecated to secure the repayment of an obligation;

(8) "core capital" may be used interchangeably with "tier 1 capital" to mean permanent shareholders' equity in the form of issued and fully paid-in shares of common stock plus all disclosed reserves, less goodwill or any other intangible assets;

(9) "credit accommodation" may be used interchangeably with the term "credit facility" to include any loan as defined in subsection 3(23) of these Guidelines, lease financing, foreign exchange contracts, currency and interest rate options, credit line, and any other form of direct or indirect, real or contingent, financial obligation to a bank or financial institution;

(10) "credit risk" means the risk arising from the nonpayment of either principal or interest of a loan or other credit accommodations on a timely basis, or failure of the customer or a person to honour his commitment under a credit, guarantee or suretyship agreement, or the risk of default by a party to a foreign exchange contract;

(11) "direct credit accommodation" means a credit facility in which the borrower or obligor is a party on his own behalf, or as the representative or agent of others, or as a co-signor, mortgagor, guarantor, endorser or surety;

(12) "director" means any person by whatever title or designation known carrying out or empowered to carry out functions in relation to the direction of a bank or financial institution which are substantially the same as those carried out by a member of the board of directors of a company incorporated under the Companies Ordinance;

(13) "disclosed reserves" includes all reserves created or increased through share premiums, retained earnings (after deducting all expenses, provisions, taxation, and dividends), and general reserves, if such disclosed reserves are permanent and unencumbered and thus able to absorb losses;

(14) "financial institution" means any person authorised by law or the Bank to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque;

(15) "financial intermediation" means the lending, investing or placement of funds and/or securities received, acquired or obtained from the general public or from a well-defined group of persons by way of deposit, borrowing, contribution, premium, or in fiduciary capacity, either for the account of the person receiving such funds or securities or for the account of others;

(16) "firm underwriting commitment" in respect to underwriting of securities means a firm guarantee or commitment made by a person or entity to an issuer

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or holder of securities to raise funds for said issuer or holder, by the distribution of such securities for sale, resale, or subscription, either through an outright purchase or through a commitment to purchase the balance not subscribed or sold;

(17) "general provisions" when used in relation to supplementary capital or provisioning for loan losses means the amount that is taken up as a charge against revenues or income without going through the process of reviewing the weaknesses of individual loan accounts. General provisions are credited to "Allowance for Probable Losses" and form part of supplementary capital that is available to absorb presently unidentified losses in the loan portfolio;

(18) "general reserves" may be used interchangeably with "retained earnings" to mean the accumulated and undistributed profits which are free and not specifically earmarked or appropriated for any purpose;

(19) "goodwill" means the excess of the price paid for the purchase of the entire or a majority interest in a business firm over its adjusted net asset value as determined by the independent Auditor of a bank or financial institution and approved by the Bank;

(20) "indirect credit accommodation" means a credit facility given by a bank or financial institution to a person's related interest as defined in subsection 3(31) of these Guidelines;

(21) "in process of collection" means that the collection of a debt is proceeding in due course in a timely manner through: (i) legal action, including the enforcement of judgements against the borrower; or (ii) collection efforts not involving legal action which are reasonably expected to result in repayment of the debt or in its restoration to a current status through payment of principal and interest due;

(22) "intangible assets" means capitalised organisation costs or pre-operating expenses, prepaid expenses and deferred charges, leasehold rights, goodwill, and such other assets as may be specified by the Bank;

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(23) "loans" and "loans and advances" may be used interchangeably to include any loan, discount, advance, overdraft, export bills purchased, other bills received or purchased, import bills, customer's liability on acceptances, drawings against uncleared effects, encashment of cheques drawn against other branches/offices (if the drawer's current account has insufficient cleared and withdrawable balance) or against other banks, or any other credit extended to a person by a bank or financial institution, excluding the undrawn or unavailed balance of any line of credit, guarantee, performance bonds, commercial letters of credit, standby letters of credit, and other similar contingent accounts or off balance sheet items;

(24) "non-accruing loan" means any loan where recognition of interest income has been placed on a cash basis for financial reporting purposes. Interest is no longer accrued in the books of the lending institution nor taken into income unless paid by the borrower in cash;

(25) "non-performing loan" means any loan that is not generating income and such loan has been past due for more than ninety days, as determined in accordance with the criteria prescribed in section 11 of the Prudential Guidelines on Management of Risk Assets, Classification of Loans and Other Risk Assets, Provisioning for Losses and Accrual of Interest, issued by the Bank on 18th October, 1991;

(26) "off balance sheet risks" means all items not shown on the balance sheet but which constitute credit risk. Such risks include guarantee, acceptances, performance bonds, letters of credit, and other off balance sheet items deemed to constitute credit risk by the Bank;

(27) "officers" means the Chief Executive Officer of a bank or financial institution, officials of lower rank down to the assistant head of a department or branch or their equivalent, and all members of a permanent committee or body (including the Regional Board) whose duties include functions of management such as those ordinarily performed by regular officers, and

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all those whose duties as officers are defined in the articles of association or who are generally known to be officers of the institution either through announcement, representation, publication, or communication made by the institution;

(28) "other risk assets" means the total assets of a bank or financial institution as reported to the Bank excluding its loans and advances (commonly referred to as risk assets) and cash, gold, amounts due from Bank of Tanzania, government securities, securities issued by the Bank of Tanzania, securities issued by other government institutions which are unconditionally guaranteed by the Government as to repayment of principal and interest at maturity date, bank premises, staff housing units, furniture and equipment, and such other assets as may be declared by the Bank as non-risk;

(29) "parent company" means a company which directly or indirectly owns, controls, or holds with power to vote, more than fifty per cent (50%) of the issued and outstanding voting shares of another company;

(30) "person" includes a natural person and a juridical person;

(31) "related interest" refers to a person's spouse or relative within the second degree, or to a company, association, or entity of which such person, spouse and/or relative, is a shareholder, director, partner, manager, agent or member, or to a person's co-owner in respect of a property and/or property right or interest, or such other circumstances as the Bank may specify;

(32) "revaluation reserves" means the increment in the recorded or book value of an institution's own premises, fixed assets, or long-term equity investments arising from formal revaluation of such assets to reflect their current value, or an amount closer to their current value than historical cost;

(33) "shareholder" refers to a person, company or entity which directly or indirectly owns, controls, or holds with power to vote, five per cent (5%) or more of the

issued and outstanding voting shares of another company;

(34) "specific provisions" when used in relation to provisioning for losses on loans or other assets means the amount that is taken up as a charge against revenues or income after reviewing the weaknesses of specific loans or assets following the procedures prescribed in the Prudential Guidelines on Management of Risk Assets, Classification of Loans and Other Risk Assets, Provisioning for Losses and Accrual of Interest, issued by the Bank on 18th October, 1991;

(35) "subsidiary" means a company of which more than fifty per cent (50%) of the total issued and outstanding shares entitled to vote is directly or indirectly owned, controlled, or held with power to vote, by another company called the parent company;

(36) 'supplementary capital" may be used interchangeably with "tier 2 capital" to mean general provisions which are held against future, presently unidentified, losses and are freely available to meet losses which subsequently materialize, and any other form of capital as may be determined and announced from time to time by the Bank;

(37) "total assets" means the amount submitted under such heading in each monthly balance sheet submitted to the Bank and the amount submitted under such heading in the latest audited balance sheet as verified by an external auditor whose report on such bank or financial institution was satisfactory to the Bank;

(38) 'total capital" means the sum of core capital and supplementary capital;

(39) "underwriting of securities" refers to the act or process of guaranteeing the distribution and sale of securities issued by another person, including securities issued by the Government;

(40) "unsecured credit" means a credit facility granted without security, or in the case of any credit facility

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granted against security, any part of such credit facility which at any given time exceeds the market value of the assets comprising the security given or which exceeds the valuation approved by the Bank whenever the Bank deems that no ascertainable market value exists for the said assets. In granting an unsecured credit, the bank or financial institution relies solely on the financial strength and reputation of the borrower.

PART II - STATEMENT OF POLICY

4. The objectives of these Guidelines are as follows:- *Objectives*

(1) To encourage risk diversification and curtail excessive concentration of risk exposure of any bank or financial institution to one customer or group of customers, industry, economic sector [illegible]; thereby enhancing the stability of the financial system;

(2) To promote arm's length relationship in dealings between the bank or financial institution and its directors, officers, staff, shareholders and their related interests;

(3) To make credit available to a broader group of borrowers;

(4) To regulate equity investments of banks and financial institutions and to avoid undue concentration of economic power; and

(5) To regulate the amount of investments in fixed assets and prevent the use of depositors' money in acquiring such assets.

5. Experience has shown that excessive concentration of risks to a single customer or group of customers, geographic or economic sector, industry or activity, has been a major cause of bank losses. Apart from restricting profitability, such concentration of risk places undue constraints on the ability of banks and other financial institutions to provide credit to a wider segment of the economy . There is therefore a need to *Rationale for Diversifying Risks*

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promote diversification of risks in order to ensure the soundness of banks and financial institutions.

6. A banking institution is a repository of the people's trust. As such, its shareholders, directors, officers and staff are expected to conduct themselves with the highest degree of professionalism, devotion to duty and standard of morality. These qualities must be held high above the proprietary interests of such persons. Empirically, the absence of well-defined rules serves as a disincentive for maintaining an arm's length relationship in dealings between the bank or financial institution on one hand, and its shareholders, directors, officers and staff, on the other. Accordingly, measures must be taken to minimize the incidence of techinical misjudgement, mismanagement or deliberate fraud. These Guidelines aim to fill such need.

Arm's Length Relationship on Insider Dealings

PART III - RULES ON CONCENTRATION OF CREDIT

7. The total amount of credit accommodations which any bank or financial institution may grant, directly or indirectly, to any person or group of related borrowers, shall not exceed the limits prescribed hereunder:

Single Borrower's Limit

	Collateral Position	Limit (as a Percentage of Core Capital)
(1)	Secured by collateral the value of which is at least 125% of the credit accommodation secured by it. (Fully secured)	25%
(2)	Secured by collateral the value of which is less than 125% of the credit accommodation secured by it. (Partly secured)	10%
(3)	Unsecured	5%

8. The Bank may, upon prior written request by a bank or financial institution, allow exemption from the

Exemption from Single

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limits prescribed in section 7 of these Guidelines if the credit accommodation is granted to, or guaranteed by the Government of the United Republic of Tanzania or against securities issued by the Government or the Bank of Tanzania.

Borrower's Limit

Aggregation of Credits to Parent Company, Subsidiaries and Associate Companies

9. Every bank or financial institution shall consider all credit accommodations to the parent company and its subsidiaries and associate companies as credits granted to a single person:

Provided that even if the bank or financial institution has not granted any credit accommodation to the parent company, the credit accommodations to its subsidiaries and associate companies shall be considered as credit accommodations to a single person.

Aggregation of Credits to Persons with Related Interests

10. If the Bank determines that the interests of a group of two or more persons are so interrelated that they should be considered as one borrower, then for the purposes of section 7 of these Guidelines, the total credit accommodations to that group shall be combined and deemed to be in respect of a single person.

Aggregate Credit Limit

11. In addition to the single borrower's limit prescribed in section 7 of these Guidelines, every bank and financial institution shall observe a quantitative limit on the aggregate amount of credit accommodations that may be granted to all borrowers whose credit accommodations, inclusive of interest due and unpaid, have reached the ceilings prescribed in the said section. Such aggregate credit limit shall be 25% of the outstanding credit accommodations to all customers, or 100% of the core capital of the lending bank or financial institution, whichever is lower.

Insider Dealings

12. Dealings of a bank or financial institution with any of its directors, officers or shareholders and their related interests shall be in the regular course of business and upon terms not less favourable to the bank or financial institution than those offered to others.

Approval of Credits to

13. No bank or financial institution shall grant, directly or indirectly, any credit accommodation to any of its

directors, alternate directors, shareholders, and/or their related interests, unless:- Directors and Shareholders

(1) Such credit accommodation has been unanimously approved by all remaining members of the board of directors in a meeting where the director and/or alternate director who stands to benefit from the credit has inhibited himself from attending; and

(2) The Bank has been notified of such board approval not later than 7 days prior to its implementation.

14. The aggregate amount of credit accommodations inclusive of interest due and unpaid which any bank or financial institution may grant, directly or indirectly, to its directors, alternate directors, shareholders, and/or their related interests shall not exceed 25% of its core capital. Aggregate Credit Limit of Directors and Shareholders

15. In computing the aggregate credit limit of directors and shareholders as prescribed under section 14 of these Guidelines, all direct and indirect credit accommodations inclusive of interest due and unpaid, granted to directors alternate directors, shareholders and/or their related interests shall be combined even if subsequent to the granting of the credit accommodation, the borrower ceases to be a director, alternate director, or shareholder. Aggregate Credit Limit Covers Former Directors and Shareholders

16. Notwithstanding the single borrower's credit limit prescribed under section 7 of these Guidelines, no bank or financial institution shall grant loans and advances to any of its officers and employees (including the spouse or child of the officer or employee concerned) which exceed the annual remuneration of the borrowing officer or employee. The limitations under this section shall apply to loans and advances to any partnership or sole proprietorship in which an officer or employee (including his/her spouse or child) of a bank or financial institution is a partner or sole proprietor. Credit Limit of Officers and Employees

17. For purposes of section 16 of these Guidelines, the annual remuneration of an officer or employee shall refer to the basic salary plus cost of living allowance and the following fringe benefits:- Computation of Annual Remuneration

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(1) Fixed entertainment allowance that is paid in cash to the officer or employee on a regular and periodic basis;

(2) Fixed transportation allowance that is paid in cash to the officer or employee on a regular and periodic basis; and

(3) Such other financial benefits the amounts of which are fixed and paid in cash to the officer or employee on a regular and periodic basis as part of his/her compensation for services rendered to the bank or financial institution, but excluding such benefits the entitlement to which depends on a contingency such as medical and hospitalization benefits, or allowances for attending seminars and board or committee meetings, or other non-cash benefits.

Aggregate Credit Limit of Officers

18. The aggregate amount of credit accommodation inclusive of interest due and unpaid which any bank or financial institution may grant, directly or indirectly, to its officers and/or their related interests shall not exceed 25% of its core capital.

Exemption of Subsidiaries of Foreign Banks and Financial Institutions

19. A bank or financial institution which is a subsidiary of a foreign bank or financial institution may, with prior approval of the Bank, exclude from the aggregate and single borrower's credit limits prescribed in these Guidelines any credit accommodation for which the parent company has provided the fund and has assumed the credit and foreign exchange risks.

Excess Credits of Existing Banks and Financial Institutions

20. Any bank or financial institution which as at the date of these Guidelines has granted credit accommodations to any borrower or group of related borrowers in excess of the limits prescribed herein shall comply fully with such limits by 31st December, 1993 and shall not in the meantime grant any new or additional credit accommodation to such borrower except as may be approved in writing by the Bank which approval will not be given unless the Managing Director and/or Chief Executive Officer of the said bank or financial institution certifies and submits proof that:-

(a) the borrower or any of his related interests has not defaulted in their past commitments;

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(b) the business of the borrower is not experiencing any deterioration in profitability or financial condition as indicated in its audited financial statements and by its repayment performance; and

(c) the bank has found no reason to believe that the borrower will fail to honour its commitments.

21. Any director, officer or employee of a bank who recommends, sanctions, votes for, or causes the approval of any loan or credit accommodation in violation of the credit limits prescribed in these Guidelines shall be considered automatically suspended from office. If such director, officer or employee is, directly or indirectly, a party or beneficiary to the said credit facility, the director, officer or employee concerned shall be automatically considered perpetually disqualified from holding any position or office in any bank or financial institution under the supervision of the Bank. The penalties prescribed in this section shall be without prejudice to any other punitive measures which may be applied against the erring director, officer or employee.

Penalty for Violation of the Credit Limits

22. The board of directors of every bank and financial institution shall be primarily responsible for the compliance with the requirements of these Guidelines including the enforcement of suspension or disqualification of any director, officer or employee as provided under section 21 hereof.

Board of Directors Responsible for Compliance

23. The board of directors of every bank and financial institution shall within 6 months fromthe commencement of operations, adopt a written policy prescribing the quantitative limits on the concentration of credit to specific industries and other activities not covered in these Guidelines. The board of directors of every bank and financial institution which is already in operation as at the date hereof shall comply with the requirements of this section not later than 31st March, 1993.

Board of Directors to Prescribe Credit Limit of Specific Industries

24. Every bank and financial institution shall advise the bank of the adoption of the credit policy specified in section 23 of these Guidelines within 14 days following its approval and shall make such written credit policy available for inspection by the examiners of the Bank.

The Bank to be Advised of the Adoption of Industry Credit Limits

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PART IV - RULES ON EQUITY INVESTMENTS

25. Any bank or financial institution which has a core capital ranging from Shs.1,000,000,000 to less than Shs.2,000,000,000 may, with the prior approval of the Bank, invest in the equity of companies engaged in activities classified allied undertakings subject to the following limitations:-

Limits on Investments in Allied Undertakings

(1) The aggregate equity investments in all companies shall not exceed 25% of the core capital of the investing bank or financial institution;

(2) The equity investment in any single company shall not exceed 10% of the core capital of the investing bank or financial institution; and

(3) The equity investment in any single company other than a bureaux de change and a credit card company shall not exceed 35% of the total subscribed share capital of the investee company;

26. Any bank or financial institution which has a core capital of Shs.2,000,000,000 or more may, with the prior approval of the Bank and subject to the same limitations prescribed in subsections 25 (1) and (2) of these Guidelines, acquire up to 100% of the total subscribed share capital of a company engaged in an allied undertaking and/or up to 35% of a company which is engaged in a non-allied undertaking.

Increased Investment Privileges

27. The total equity investments in and credit accommodations to any single company or enterprise shall not exceed 25% of the core capital of the investing bank or financial institution.

Combined Equity Investment and Credit Limits

28. A bank which has a core capital of less than Shs.1,000,000,000, or a financial institution which has a core capital of less than Shs.500,000,000, is prohibited from investing in the equity of other companies.

Prohibited Banks and Financial Institutions

29. The Bank shall consider on a case-by-case basis any proposed equity investment which is not specifically covered by any provision of these Guidelines. In all cases, however, no bank or financial institution shall invest in the equity of another company without the prior written approval of the Bank.

Every Equity Investment Requires Prior Approval of the Bank

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30. The quantitative ceilings on equity investments under sections 25, 26, and 29 of these Guidelines shall not apply to inventories of equity securities arising out of firm underwriting commitments of banks, investment banks and other financial institutions which have been authorised by the Bank to engage in the business of underwriting debt and equity securities.

Underwrithng Commitments Exempted from Prescribed Ceilings

31. Any bank or financial institution which as at the date of these Guidelines has equity investments in excess of the quantitative ceilings prescribed herein shall comply fully with the requirements by 31st December, 1993:-

Excess Equity Investments of Existing banks and Financial Institutions

Provided that no new equity investment shall be made before that date except as may be approved by the Bank which approval will not be given unless the Managing Director or Chief Executive Officer of the said bank or financial institution certifies and submits proof that -

(a) the investment will not be financed from funds obtained as deposits or borrowings from the public or the Bank;

(b) the investment has been approved by the board of directors after satisfying itself that the profitability of the investee company can be sustained ; and

(c) the investee company is not suffering from any problem involving fraud or any serious weakness in management, accounting and internal control systems and/or other important internal procedures.

PART V - LIMITS ON UNDERWRITING COMMITMENTS

32. A bank which has been authorised by the Bank to engage in the business of underwriting debt or equity securitiesin accordance with section 32 (1) of the Policy and Procedural Guidelines on the Licencing of Banks and Financial Institutions issued on 8th November, 1991 shall not undertake underwriting commitments for its own account in an aggregate amount exceeding 100% of its core capital.

Limit on the Underwriting Business of a Bank

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33. A financial institution which has been licenced by the bank to engage primarily in the business of investment banking or underwriting debt or equity securities shall not undertake underwriting commitments for its own account in an aggregate amount exceeding 800% of its core capital.

Limit on the Underwriting Business of a Financial Institution

PART VI - LIMITS ON INVESTMENTS IN FIXED ASSETS

34. Any bank or financial institution may purchase, acquire or lease immovable property only as may be necessary for the purpose of conducting its business as a bank or financial institution, including reasonable provision for anticipated future expansion and housing of its officers or employees:-

Investment in Immovable Property

Provided that -

(a) the total investment of the bank or financial institution in such immovable properties, including leasehold rights and improvements, shall not exceed 50% of its core capital;

(b) the limitations under this section shall not apply to the acquisition of any immovable property in settlement of a debt to the bank or financial institution which property, however, shall be sold as soon as possible but not later than three years from acquisition date;

(c) the limitations under this section shall not apply to institutions carrrying on insurance business or the business of mortgage financing;

(d) any bank or financial institution which cannot comply with the limitations prescribed in this section upon the promulgation of these Guidelines shall comply fully with its requirements by 18th October, 1996 and shall not purchase, acquire or lease immovable property without the prior approval of the Bank until it shall have fully complied with the requirements of this section; and

(e) the Bank will not approve any additional investment in immovable property unless the Managing Director or Chief Executive Officer of the bank or financial institution certifies and submits proof that:-

(i) the investment will not be financed from funds obtained as deposits or borrowings from the public or the Bank;

(ii) the project in which the property will be used has been thoroughly studied and found by the board of directors to be commercially viable; and

(iii) the investing bank or financial institution is not suffering from weak liquidity position as shown by its inability to honour its financial commitments to its depositors and creditors, including the Bank, or to maintain the required statutory minimum cash reserves, or from any serious weakness in management, accounting and internal control systems and/or other important internal proceedures.

35. Any bank or financial institution may purchase, acquire or lease equipment and other movable property as may be necessary for the purpose of conducting its business as a bank or financial institution: Investment in Movable Property

Provided that -

(a) the total investment of the bank or financial institution in such equipment and movable properties, including unamortized lease and capitalised expenses, shall not exceed 10% of its core capital;

(b) the limitations under this section shall not apply to the acquisition of any equipment and/or movable property in settlement of a debt to the bank or financial institution which equipment and/or property, however, shall be sold as soon as possible but not later than one year from acquisition date; and

APPENDIX C

Bank of Tanzania Requests for Assistance

from Federal Reserve System.

THE DEPUTY GOVERNOR

BANK OF TANZANIA
P.O. Box 2939
DAR ES SALAAM
TANZANIA

Phone: Direct Line 46226
General Line: 21291/9
Cable: "BENKUU"

Kumbukumbu}
Ref. No. }..................2006/IX/Temp.

21st January 1993

Mr. Alan Greenspan
Chairman
The Federal Reserve System
Washington, D.C. 20551

Dear Mr. Greenspan,

BANK SUPERVISION TRAINING AND ATTACHMENTS

Following the financial sector reforms now taking place in Tanzania which include the restructuring of the existing banks and financial institutions and the licensing of new private and foreign banks and financial institutions, the Bank of Tanzania is strengthening its supervisory capabilities and responsibilities over the banks and financial institutions in Tanzania. To this end, the Department of Banks Supervision has been elevated to a full Directorate and the officers of the Directorate are now scheduled for further training and exposure to the principles, objectives, procedures and techniques of on-site examination and off-site surveillance of banks and financial institutions. The Federal Reserve system is known for its strong and highly developed supervisory capabilities.

I am writing to request the Federal Reserve System to assist the Bank of Tanzania in building and strengthening its banks supervision capabilities. My two officers-Messrs Lila H. Mkila, Manager Supervision Banks and Herman Kessy, Manager Non- Banks Financial Institutions are due to attend the Intrados/International Management Group Seminar on "Bank Restructuring through Regulation and Supervision" in Washington D.C. from 1st to 12th February, 1993. I would be grateful if you could allow Messrs Mkila and Kessy to be attached to any of your Federal Reserve System Banks for up to two weeks from February 15, 1993 to further expose them to the Fed's Systems regarding on-site examination and off-site monitoring procedures and techniques. Enclosed is a list of specific areas of interest which I believe are relevant to our objectives.

I would greatly appreciate your favourable consideration of my above request and your early response.

Yours sincerely,

N. N. Kitomari
DEPUTY GOVERNOR

Encl:

RE: TRAINING PROGRAMME FOR MESSRS L. H. MKILA AND H. M. KESSY

1. **OFF-SITE SURVEILLANCE OF BANKS**

   a. PRINCIPLES AND OBJECTIVES
   b. SCOPE OF REVIEW/SURVEILLANCE
   c. DOCUMENTARY BASES
   d. PROCEDURES AND TECHNIQUES
   e PREPARATION OF REPORTS

2. **ON-SITE EXAMINATION OF BANKS**

   a. PRINCIPLES AND OBJECTIVES
   b. PLANNING AND COSTING
   c. DETERMINING THE SCOPE OF EXAMINATION
   d. PROCEDURES IN THE EXAMINATION OF THE LOAN/PORTFOLIOS, INTERNATIONAL OPERATIONS AND OFF-BALANCE SHEET ITEMS
   e. RANDOM SAMPLING TECHNIQUES AND PROCEDURES
   f. CLASSIFICATION OF LOANS AND OTHER RISK ASSETS AND PROVISIONING FOR LOSSES
   g. DETERMINATION OF BANK'S FINANCIAL CONDITION AND MEASURING CAPITAL ADEQUANCY
   h. EVALUATION OF THE EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM
   i. EVALUATION OF MANAGEMENT

3. **PREPARATION OF EXAMINATION REPORT**

Appendix 1: Foreign Courses [U.S.A]

Group	Staff	Course	Duration	Period
1.	Mkilla, L. Kessy, H	"Bank Restructuring Through Supervision and Regulation" [INTRADOS]	2 weeks	Feb. 1-12, 1993
2.	Msaningu, J. Make, M.(Miss)	"Restructuring Banking Institutions: Techniques for Managing Successful Turnarounds" [CFED]	2 weeks	June 7-18, 1993
3.	Ngoshani, H. Nnungu, I.	"Bank Examination" (ECONOMIC INSTITUTE)	5 weeks	July 12 - August 13, 1993
	Gasabile, M. Bilali, M.	"Bank Regulation and Supervision" [ECONOMIC INSTITUTE]	5 weeks	July 12 - August 13, 1993
4.	Mwinyimvua, A. Ngatigwa, M.	"Senior Central Bank Supervisor Course" [WORLD BANK/ FEDERAL RESERVE]	3 weeks	Oct. 18 - Nov. 5, 1993
		"Bank Restructuring Through Supervision and Regulation"	2 weeks	Nov. 8 - 19, 1993

Appendix 2: Attachment with Federal Reserve Bank

Group	Staff	Duration	Period
1.	Mkila, L.	2 weeks	Feb. 15 - 26, 1993
	Kessy, H.	"	
	C. G. Singiri		
2.	~~Msaningu,~~ J.	2 weeks	June 21 - July 2, 1993
	~~Make, M. (Miss)~~	"	
	H. Mtega.		
3.	Ngoshani, H.	2 weeks	August 16 - 27, 1993
	Nnungu, I	"	
	Gasabile, M.	"	
	Bilali, M.	"	
4.	Mwinyimvua, A.	2 weeks	Nov. 22 - Dec. 3, 1993
	Ngatigwa, M.	"	

THE GOVERNOR
Cable: 41024 "BENKUU"
Tel. 46225/21291-5
Fascimile: 31324

BANK OF TANZANIA
P. O. Box 2939
DAR ES SALAAM

24th March 1993

Mr. Alan Greenspan
Chairman
The Federal Reserve System
Washington, D.C. 20551

Dear Mr. Greenspan,

BANK SUPERVISION TRAINING AND ATTACHMENTS

Last month, two Bank of Tanzania (BOT) bank supervision managers attended a two-week Federal Reserve training program consisting of one week of policy training in Washington and one week of practical training at the Federal Reserve Bank of New York. I wanted to take this opportunity to thank you, and the Federal Reserve representatives involved in this training, for providing such valuable types of instruction and guidance to these individuals. They returned to Tanzania with a great appreciation of the exceptional technical expertise of the Federal Reserve staff as well as a respect for the Federal Reserve System as a whole.

I am writing to you to request your assistance in some additional areas of the training of our bank supervision staff. With the technical and financial assistance of the USAID Mission in Tanzania, the Bank of Tanzania is in the process of establishing a comprehensive training program to increase the skills and capabilities of the BOT bank supervision staff through U.S.-based and in-country training. As a component of its Finance and Enterprise Development Program, USAID/Tanzania provided funding for the above mentioned U.S.-based training as well as the participation by two of our senior bank examiners in the three-week World Bank/Federal Reserve Senior Bank Supervisors Course held in Washington in October 1992 .

At this point in our training program, we would like to intertwine such U.S.-based training with classroom and practical training in Tanzania. The Bank of Tanzania would therefore like to request your assistance in arranging a "Federal Reserve/BOT joint training program" whereby a Federal Reserve trainer(s) would come

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to Tanzania for several weeks at various times of the year and groups of two or three Tanzanian examiners could visit the United States for two-week periods (to attend the program our two managers participated in last month) at other times of the year.

Our bank supervision managers have outlined a possible training schedule for proposed visits by BOT examiners to the U.S. and welcome any suggestions and comments you may have concerning the applicability and timing of any Federal Reserve training. As much as possible, each visit to the U.S. by BOT examiners will be supplemented with participation in bank supervision training courses offered by private sector training entities such as Intrados, the Center for Financial Engineering in Development, and the Economics Institute.

For example, when our two bank supervision managers travelled to the U.S. last month, they attended a two-week Intrados course, entitled "Bank Restructuring Through Supervision and Regulation," in Washington prior to their participation in the Federal Reserve program. In fact, the proposed dates for participation in Federal Reserve training, indicated in the table below, were chosen to coincide with bank supervision courses offered by these private sector training entities at specific times during 1993: June 7th to 18th; July 12th to 13th; and October 18th to November 19th.

<u>Proposed Visits to Federal Reserve by BOT Bank Supervisors</u>:

- June 21st to July 2nd, 1993.
- August 16th to 27th, 1993.
- November 22nd to December 3rd, 1993.

As indicated in my January 21st letter to you, our objective is to expose our examiners to Federal Reserve procedures and techniques for off-site surveillance and on-site examination of financial institutions, as well as examination report preparation.

<u>Visits by Federal Reserve Trainers to Tanzania</u>

This part of the Federal Reserve/BOT joint training program would be a critical component of our in-country training program. It would allow the Federal Reserve trainers to offer short-term Federal Reserve bank supervision seminars and courses specifically adapted to the Tanzanian banking environment and the needs of our bank supervision staff. Our hope is to have one or two Federal Reserve trainers come to Tanzania at least three times during 1993 for periods of two weeks or so, depending on their availability and our particular training needs. This training and related expenses would also be funded by USAID At the end of 1993, following an assessment of the BOT's training program, a determination would be

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made as to what Federal Reserve training assistance would be necessary for 1994.

I will also be contacting you shortly regarding a separate request for technical assistance from Federal Reserve advisors in the area of on-site bank examinations and/or the preparation of manuals containing guidelines for our examiners in the implementation of our new banking laws and regulations. The assistance would be needed for a period of six months or so. Our bank supervision managers are in the process of developing the terms of reference for this technical assistance and will be sending a specific request to you shortly.

Our first priority, however, is to move forward with the Federal Reserve/BOT joint training plan proposed in this letter. The managers and staff of our Directorate of Bank Supervision look forward to this establishment of a training link with the Federal Reserve. They are also interested in your comments and suggestions regarding the content and timing of the short-term training.

I would greatly appreciate your favourable consideration of this request and your early response.

Yours sincerely,

Mr. Gilman Rutihinda
Governor

APPENDIX D

Proposed Terms of Reference for Short-term

Technical Advisors Requested by the Bank of Tanzania.

TERMS OF REFERENCE FOR TECHNICAL ASSISTANCE
TO THE DIRECTORATE OF BANK SUPERVISION
BANK OF TANZANIA

The emerging competitive environment in Tanzania is one in which several banks and financial institutions with deposit-taking functions will operate with management autonomy, each responding to commercial considerations. The financial system must function smoothly and be insulated from the destabilizing effects of excessive tendencies in some banking practices if it is to serve its purpose as a catalyst for economic growth.Hence, there is a felt need for a strong supervisory and regulatory authority that has the ability to curb imprudent practices and protect the interests of depositors and the general public.

The Banking and Financial Institutions Act, 1991 (BFIA) has laid down the basic criteria for ensuring soundness of the financial system and prudent management of banks and financial institutions. The Bank of Tanzania (BOT) aims to increase its capability to discharge its new responsibilities under the BFIA and has set in motion an institutional strengthening programme. Thus, its Bank Supervision Department was elevated to the Directorate of Bank Supervision consisting of two departments, one responsible for the supervision of banks and the other, of nonbank financial institutions.

The bank supervision technical staff have been increased to 32 from less than 10 three years ago. A significant number of the staff had undergone various types of training in the country and abroad which included seminars, short term attachments to other central banks, and on-the-job training in bank examination, review of bank reports, and licencing of new banks. The BOT has prescribed an off-site reporting format and issued the following guidelines:

- o Prudential Guidelines on Management of Risk Assets, Classification of Loans and Other Risk Assets, Provisioning for Losses and Accrual of Interest
- o Policy and Procedural Guidelines on the Licencing of Banks and Financial Institutions
- o Guidelines for Measuring Capital Adequacy
- o Guidelines on Concentration of Credit and Other Exposure Limits

In building up its supervisory capacity,the BOT benefits from the assistance of international financial/development institutions such as the IMF, UNDP and USAID. Providing technical assistance

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to BOT on a wide range of central banking functions is a banking supervision expert seconded by the IMF.

The ability of the BOT to supervise a competitive financial system has improved substantially. The bank supervision staff has now acquired the capability to undertake a loan portfolio review of a bank without external assistance. They are currently learning how to conduct a full balance sheet examination that involves not only a review of the loan portfolio and off-balance sheet accounts but all other accounts in the balance sheet, e.g. interbranch float items, investments, fixed assets, miscellaneous (house) accounts, etc. Nonetheless, in order to institutionalize the gains so far achieved, it is necessary to deepen the technology enhancement process through a series of on-the-job training as well as the codification and automation of supervisory procedures. Technical assistance will be needed in this regard.

Likewise, the BOT has been charged with the responsibility of supervising the provident fund and insurance business in the country. There is no private sector participation in such businesses. The state owned parastatals are the National Provident Fund, National Insurance Corporation and Zanzibar Insurance Corporation. The country needs an insurance legislation that will regulate the insurance business and open the way for the establishment of private insurance companies. The BOT is making arrangements for an external insurance specialist to draft the insurance legislation. At the same time, the Bank's Directorate of Bank Supervision feels the need for an expert on the supervision of insurance companies to provide technical assistance in such area.

Under the foregoing premises, the Directorate of Bank Supervision will require technical assistance from at least three experts whose fields of specialization are indicated below.

1. Expert on bank supervision whose responsibilities include:

   a) Conduct an intensive on-the-job training of the BOT staff (and possibly, selected staff of commercial banks) in on-site full scale examination of at least the 5 largest branches of the National Bank of Commerce (NBC), Co-operative and Rural Development Bank (CRDB); and the whole of Peoples Bank of Zanzibar (PBZ). This will involve a detailed examination of all balance sheet and off balance sheet accounts and the evaluation of the effectiveness of the internal control procedures.

   b) Conduct an intensive on-the-job training of the BOT staff (and possibly, selected staff of commercial banks) in on-site examination of the international operations of NBC, CRDB and PBZ, including the evaluation of the effectiveness of the internal control procedures.

   c) Training of the BOT staff (and possibly, selected staff of commercial banks) on the preparation of well-structured examination reports.

d) Training of the BOT staff on the procedures and techniques in rating banks, e.g. the CAMEL rating system.

e) Submit an evaluation report on the effectiveness of the training programme as a whole, and in respect of every participating member of the staff.

The expert will be expected to submit a work programme within the first 15 days of his assignment for approval by the BOT. A phased work programme must be structured to accomplish the following objectives:

i. To train at least 80% of the technical staff of the Directorate of Bank Supervision.

ii. To finish in about 4 months every phase of the work including the submission of the required reports.

iii. To complete the assignment within 18 months.

The term of the expert's assignment shall not be less than 4 months.

2. Expert on bank supervision whose responsibilities include:

a) Conduct on-the-job training in off-site surveillance of banks and other financial institutions. This includes the following tasks-

i. Application of various analytical tools to monitor the solvency, liquidity and profitability of banks and financial institutions as well as their compliance with the BFIA, other relevant laws, BOT regulations and instructions.

ii. Preparation of a manual containing the procedures in the off-site monitoring of banks and financial institutions and the automation of such procedures whenever appropriate.

iii. Designing the format of necessary periodic reports to BOT top management, including an annual report on the condition and affairs of every bank and financial institution, and the training of the staff in the accomplishment of such reports.

b) Prepare a manual on the licencing of banks and financial institutions.

c) Prepare a manual on the licencing of branches of banks and financial institutions.

d) Prepare a manual on the receivership and liquidation of banks and financial institutions.

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e) Train the staff on the implementation of the procedures contained in the aforementioned manuals.

The expert will be expected to submit a work programme within the first 15 days of his assignment and a report upon completion of the assignment. He should have at least 10 years of progressive experience in bank supervision. It is estimated that this assignment will require 12 man months to finish.

3. Specialist on the supervision of insurance companies whose responsibilities include:

a) In general, to provide technical assistance on the supervision of insurance companies. This includes the training of the BOT staff in the examination and monitoring of the activities of insurance companies, preparation of relevant manuals, formulation of appropriate policies and guidelines, e.g. licencing of new insurance companies, public disclosure of financial condition, etc. taking into account the requirements of any insurance legislation which may be enacted by the Parliament and the internationally accepted practice in the insurance business.

b) Prepare a manual on the examination of insurance companies.

c) Prepare a manual on the monitoring of the financial condition and affairs of insurance companies.

The specialist will be expected to submit a report upon completion of his assignment. He should have at least 10 years of progressive experience in the supervision of insurance companies. It is estimated that completion of this work will require 12 man months.

APPENDIX E

World Bank-Federal Reserve System's

"Seminar for Senior Bank Supervisors From Developing Countries."

Division of Banking Supervision and Regulation

Training Center

FAX: 202-467-5191

Facsimile Transmission Cover Sheet

Date: March 29, 1993

To: **Mr. Dennis Smyth**

FAX: (703) 908-1649

From: Sarkis Yoghourtdjian

Message: As requested, attached is a copy of the joint World Bank-Federal Reserve System Seminar activity brief. I look forward to receiving a copy of your report on in-country training. Thanks!

Number of pages including this cover sheet 9 .

If this message is incomplete or you need retransmission, please contact:

Board of Governors of the Federal Reserve System,
Division of Banking Supervision and Regulation Training Center
Washington, D.C., (202) 736-5678.

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ACTIVITY BRIEF

SEMINAR FOR SENIOR BANK SUPERVISORS FROM DEVELOPING COUNTRIES

Washington, D.C., October 19 - November 6, 1992

1. Background and Reasons for Seminar

In its work in the developing countries, the experience of the World Bank suggests that macroeconomic reforms will be ineffective or counterproductive when a country's financial system is in distress. This occurs because a significant part of the resources which are mobilized by the banking system are used to carry problem borrowers rather than being loaned to productive users of credit. Unless contained by strong prudential supervision and regulation, and effective accounting policies, the bad portfolio grows until insolvency leads to illiquidity and the central bank must intervene as lender of last resort. In such cases, the collapse of several banks, or of a large bank, may cause the sudden contraction of the money supply, the failure of the payments system, severe dislocations in the real economy, and may create real or implicit obligations on the part of the government as guarantor of depositors and the lender of last resort. The failure of any bank, no matter how small, may lead to contagion and loss of confidence in the system unless the government can demonstrate its ability to handle bank failures in an orderly and systematic fashion. For these reasons, strong and effective bank supervision and prudential regulation is considered critical if the financial health of developing country banking systems is to be restored and/or maintained.

2. Objectives

The objectives of the seminar are to familiarize participants with the supervisory problems faced by developing countries and the constraints such problems pose to economic growth and development; to discuss alternative solutions for dealing with banking insolvency and financial system distress through deposit insurance schemes and bank restructuring; and to build basic bank supervision and examination skills. At the conclusion of the seminar, participants will be able to better assess the management, asset quality, capital adequacy, earnings, liquidity, and overall financial condition of a bank; to better analyze bank financial statements; to make more effective use of prudential reports submitted by banks; and to improve on-site examination capabilities. Participants will understand the implications of financial crisis and the alternatives for restructuring banks. In addition, participants will gain a better understanding of regulations affecting banking institutions and achieve a greater awareness of major regulatory and supervisory topics being discussed at the international level.

3. **Participants**

The seminar is designed for senior bank supervisors from developing countries. These individuals would normally be directors of bank supervision, deputy heads of supervision, or high-level staff involved in, or capable of influencing, policy formulation as it concerns the supervision and regulation of banks in their respective countries. In addition, the participants will include a limited number of World Bank staff who are engaged in financial sector work.

4. **Issues in Delivering the Seminar**

Strong and effective bank supervision and prudential regulation are cornerstones of a healthy financial system. Since the 1980s, nearly every financial sector adjustment operation undertaken by the World Bank has included a component for strengthening bank supervision and prudential regulation. Traditionally, in most countries, highly specialized bank supervision and examination skills have been learned on-the-job, with only the largest, most developed countries having the resources to establish training departments and training courses. Training, to the extent that it has been conducted in the developing countries, has been narrow in focus and has frequently not kept pace with changes in the outside world.

This seminar will attempt to overcome some of these shortcomings by bringing together a group of participants from a wide variety of countries. The first week will focus on discussions of the principal policy issues facing bank supervisors in developing countries today. The first week's sessions will attempt to establish the linkages between financial system health and macroeconomic performance and the World Bank's general framework for financial sector reform. From these broader discussions, the seminar will move to discussions concerning the causes of financial system distress, the supervisory problems which result, and possible solutions to financial system distress including bank restructuring. Case examples will present the various approaches used by countries to restructure their banking systems.

World Bank staff and a distinguished group of experts from the United States bank supervisory agencies, major international accounting firms, and elsewhere will lead the first week's discussions. Class participation and interaction will be encouraged.

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The second and third weeks of the seminar will focus on skills development. Instructors from the Federal Reserve, Office of the Comptroller of the Currency, and/or the World Bank will discuss bank examination and supervision techniques. Principal topics include: loan portfolio management, credit analysis, classification of assets, bank analysis, foreign exchange risk, interest rate risk, the CAMEL rating system, costs of intermediation, and internal and external auditing. The topics will be presented using a combination of lecture, class discussion, case studies, group exercises, and class presentations. Once again, class participation and interaction will be encouraged as an effective means of sharing ideas and learning.

Prior seminars have received very high marks from participants and are clearly having a positive impact in the developing countries. This seminar will continue the process of World Bank technical assistance to developing countries in establishing strong and effective bank supervision programs and in providing alternatives for the restructuring of distressed banking systems so necessary for restoring economic growth and development.

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WORLD BANK/FEDERAL RESERVE SYSTEM SEMINAR FOR SENIOR BANK SUPERVISORS FROM DEVELOPING COUNTRIES

Philosophy Behind Seminar

This program is designed for central bank senior supervisors. The program is conducted jointly by the Federal Reserve System and the World Bank.

Overview of Curriculum

"Bank analysis" is an in-depth review of how to analyze a bank's financial condition. Participants learn the various components of CAMEL, a rating system of the quality of Capital, Assets, Management, Earnings, and Liquidity. Emphasis is placed on the preparation of examination reports, the use of bank prepared reports to conduct off-site analysis, and the importance of internal and external audit practices.

"Credit analysis" stresses loan portfolio quality as the major component of asset quality and addresses the various types of credit, financial statement analysis, and loan administration. The classes on loan classification techniques are supported with case study work. Participants will also review the important factors necessary in determining the adequacy of a loan loss reserve.

"Restructuring of problem banks" will include an overview of deposit insurance and the various methods of dealing with failing banks in the United States. A look at major issues in dealing with failing banks, such as "restructuring with deposit insurance versus restructuring without deposit insurance", is also presented. In addition, presentations include actual case work involved in the resolution of problems in four other countries. The use of supervisory actions on problem banks is explained in detail.

"Fundamentals of banking" familiarizes participants with the financial instability in developing countries and the supervisory problems that these countries must face. The program also views monetary policy and foreign currency risk as important elements affecting banking systems. Finally, the course reviews major regulatory topics common to international and United States banking systems.

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Seminar Objectives

Upon completion of this seminar, the participants will:

- Understand financial concepts and analysis.
  - Be able to analyze the financial condition of a bank using the CAMEL rating system and the Uniform Bank Performance Reports (UBPR).
  - Using information from a bank examination report and a UBPR be able to present a structured analysis of the bank's condition.
  - Understand the operational structure of a banking institution and how internal controls and audit procedures protect that structure.
- Understand the importance of loan portfolio quality, loan administration, and policies.
  - Be able to analyze the quality of a loan portfolio and the effectiveness of its administration.
  - Be able to analyze and classify loans in a financial institution.
  - Understand the structure of credit departments.
  - Be able to determine the factors necessary to determine the adequacy of a loan loss reserve.
- Understand the various methods used by regulatory agencies to effectively restructure a failing bank.
- Understand how deposit insurance protects the overall banking system, and how failing banks are dealt with when no deposit insurance exists.
- Understand how informational reports, statutory and regulatory rules, and corrective actions are used to ensure bank soundness and compliance.
- Possess a basic knowledge of selected laws and regulations affecting banking institutions.
- Understand the supervisory problems facing developing countries.
- Understand how monetary policy and foreign currency risk can affect banking systems.

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Seminar Objectives

- Understand the overall nature and scope of supervision and regulation as it relates to the United States and other banking systems.

- Understand basic regulatory accounting.

- Be aware of the major regulatory topics where international consensus is sought.

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Curriculum

TOPIC	TIME (DAYS)
I. Bank Analysis	
Report of Examination	1/4
Uniform Bank Performance Report	1/4
Surveillance and Monitoring	1/4
CAMEL Factors (including case study)	1-1/2
Bank Financial Analysis (structural approach including extensive case work)	1-3/4
Audit Environment	1/4
Interest Rate Risk	1/4
II. Credit Analysis	
Introduction to Credit	
Types and Terms of Loans	1/16
Secured Lending	1/16
Functions of Credit Department	1/16
Credit File Documentation	1/16
Loan Commitments	1/16
Balance Sheet and Operating Statement Analysis	1/4
Analyzing Financial Statement Ratios (including case study)	1/4
Loan Administration	1/2
Loan Policies	1/2
Cash Flow Analysis (including case study)	1/2
Problems in Lending	1/2
Loan Classification Techniques (including case studies)	1-1/2
Problem Loan Restructuring	
Renegotiated and Workout Loans	1/16
Bankruptcy	1/16
Special Problems in Asset Classification	1/2
III. Restructuring of Failing Banks	
Supervisory Remedial Actions	1/4
Deposit Insurance	1/4
Restructuring of Failing Banks	1/2
Failed Bank Liquidations (including actual situation presentations)	1/4
Case Approaches Used in Other Countries	1
Bank Management in Banking Crisis	1/2
Bank Failures: An Evaluation	1/4

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Curriculum

TOPIC	TIME (DAYS)
IV. Fundamentals of Banking	
Financial Instability in Developing Countries	1/2
Supervisory Problems in Developing Countries	1
Monetary Policy	1/2
Foreign Currency Risk	1/4
Currency Pool	1/4
Costs of Intermediation	1/4

APPENDIX F

Intrados/IMG Seminar:

"Bank Restructuring Through Regulation and Supervision."

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INTRADOS/
International
Management Group

November 9, 1992

Welcome to the INTRADOS/International Management Group seminar on **Bank Restructuring through Regulation and Supervision.** This program, which is presented in cooperation with the International Business Department of The George Washington University, is designed to provide officials with the framework needed for a sound and integrated system of regulation and supervision to meet the challenges of financial sector restructuring.

The guest speakers for this program are professionals with extensive experience in the field. Through interaction with these interdisciplinary specialists, the participants will leave the seminar with a sound working knowledge of the seminar issues at hand. Although the speakers are extremely important, the heart of this program is the participants. Participants are encouraged to use this seminar as an occasion to share their experiences with faculty and colleagues and to participate actively in the debates which surround this complex subject. It is our hope that such discussions will stimulate the creation of innovative approaches to bank restructuring which will be applied around the world.

The material in this manual has been compiled to assist participants in developing insight into bank restructuring policies and practices, to complement presentations, and to foster discussion. It is therefore essential that participants read and analyze their assignments before each session.

Again, we offer you our warmest welcome to Washington, D.C. in the hope that the time you spend with us will be enjoyable and instructive.

Margaret Ghadar
President

Baljit Vohra
Director, Research and
Advisory Division

Deborah Thornton
Director, Training Division

Zahra Sharei
Program Coordinator

Amy Martin
Program Coordinator

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INTRADOS/
International
Management Group

BANK RESTRUCTURING THROUGH REGULATION AND SUPERVISION
November 9-20, 1992

Table of Contents

THE INTRADOS GROUP

Founded in 1980 by Dr. Fariborz Ghadar, the Intrados Group provides advanced support services in international finance, banking, privatization, telecommunications, investment, and management. The Intrados Group established its reputation by developing training programs and compiling strategic information for government agencies and Fortune 500 companies, both in the United States and abroad.

Intrados refers to the load-bearing, inner curve of an arch--the invisible support upon which a bridge is built. Intrados Group services are based on the principle that knowledgeable management is the keystone of all successful enterprise, whether public or private, in both developing and industrialized economies.

The Intrados Group prides itself on its multifaceted, interdisciplinary team. Intrados associates have provided consulting and financial advisory services, designed and conducted intensive customized training programs in international business and finance, and organized numerous conferences on political risk, privatization, and capital market development for governments and multinational corporations. The Intrados Group also publishes *SWAPS: The Newsletter of New Financial Instruments*, which monitors global financial issues and emerging markets.

TRAINING PROGRAMS

Intrados Group training programs are designed and conducted by two of its component organizations, *F. Ghadar Associates* and *Intrados/International Management Group*. The hallmark of these programs is their strong practical emphasis and clearly organized, rigorous presentation. Training techniques utilized in the programs include case studies, team exercises, country presentations, simulated negotiations, and computer-assisted learning modules as well as presentations by Intrados Group specialists and internationally known guest speakers.

The Intrados Group is highly regarded for its training, research, and technical assistance. Intrados associates have received AT&T's prestigious 5.0 Award as well as similar citations for excellence from The Pennsylvania State University and The George Washington University

F. Ghadar Associates: Training for the Multinational Enterprise

Through *F. Ghadar Associates*, the Intrados Group has assisted corporate executives worldwide in making informed decisions regarding global business strategies, foreign investments, national energy policy, debt conversion techniques, risk management systems, and international negotiations. They have also presented executive development programs that are customized to the client's specific needs in areas such as: international business strategies involving pricing, marketing and strategic alliances; global competitiveness; commercial banking; debt management; project analysis; investment analysis and political risk management; and international financial issues.

Intrados/International Management Group: Training for Development

The *Intrados/International Management Group* (Intrados/IMG) was established to provide technical assistance and convey advanced management techniques to middle- and senior-level administrators from around the world. Intrados/IMG's *Issues in Development* seminars are designed to provide pragmatic analyses of the issues these executives must master in order to direct their organizations, develop effective policies, and conduct successful international business negotiations.

Intrados/IMG is honored to have been selected from among many competitors by the Federal Financial Institutions Examination Council to design and implement courses in international banking for the United States Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. Intrados/IMG is also a member of a consortium of firms selected by the U.S. Agency for International Development to provide expert advisory services in privatization and financial sector reform. As the exclusive training arm of this consortium, Intrados/IMG continues to deliver intensive educational programs for public- and private-sector managers from developing countries and for USAID missions worldwide under the five-year privatization and financial sector development projects.

Intrados/IMG training emphasizes the practical world: how business and government actually operate in contrast to theoretical models of how they should operate. The programs are constantly revised and updated to reflect the rapid, dramatic changes that shape the international business environment. Participants' evaluations of seminar faculty, course content, and materials play a vital role in ensuring that the programs remain timely and effective.

Guest speakers for Intrados/IMG seminars are experienced practitioners from the academic and business world who are selected for their presentation skills as well as their practical expertise. The learning environment is further enhanced by the multicultural nature of the seminars, which encourages participants to exchange ideas with colleagues from around the world. Seminar participants are expected to take an active part in group discussions and analyses, and special attention is given to the issues they raise.

Intrados/IMG annually presents a core series of *Issues in Development* seminars in Washington, D.C. on topics which reflect a wide range of issues at the crux of international business, including:

- *Privatization Management and Implementation;*
- *Deregulating/Privatizing the Telecommunications Sector and Building Strategic Alliances;*
- *Infrastructure Development with Private Sector Participation: Strategies and Financing Techniques*
- *Facilitating Capital Market Development in Emerging Economies;*
- *New Instruments for Financial Engineering;*
- *Bank Restructuring through Management Initiatives;*
- *Bank Restructuring through Regulation and Supervision;*
- *Securities Market Management in Emerging Economies;*
- *New Approaches to Foreign Investment Analysis and Negotiation;*
- *New Techniques in Project Management for Development;*
- *Competing in the Global Marketplace;*
- *Managing the Privatized Enterprise;*
- *Innovative Approaches to Protecting the Environment; and*
- *Strategies for Promoting Small-Scale Enterprise.*

Customized Training

Intrados/IMG regularly tailors its courses to meet specific needs of its clients, which include the World Bank Group, USAID, the Overseas Private Investment Corporation, AT&T, Kodak, GTE, and the executive training programs of major business schools throughout the United States. Many of these customized programs have been delivered overseas. In-country programs conducted for a domestic or regional audience deliver efficient, high caliber training to a sizeable number of participants. Moreover, the seminar curriculum can be designed in consultation with the client, assuring its relevance.

In the U.S., Intrados/IMG will develop individualized courses or study tours for small groups of participants. These can be conducted as stand-alone programs or as an adjunct to an Intrados/IMG seminar.

Customized programs presented by Intrados/IMG have included a 3-day forum and 7-day seminar on privatization conducted in Nepal; a conference on capital market development and Innovative Financial Instruments conducted in Sri Lanka; seminars on money market instruments and investment banking for the Kuwait Institute of Banking Studies; a regional conference on capital market development in the Caribbean; a seminar on small business development and entrepreneurship for a delegation from Mongolia; a study tour to the New York Stock Exchange and major brokerage firms for officials of the Indonesian Ministry of Finance; and a study tour on business valuation for officials responsible for a major privatization program in Asia. Intrados associates have also conducted research and training programs under the auspices of the Asian Development Bank. In-country programs currently being developed include a regional conference on deregulating and privatizing the telecommunications sector in Southern Africa, and a series of courses for the Banking Institute of Egypt.

RESEARCH AND ADVISORY SERVICES

The Intrados Group provides research and advisory services for public- and private-sector clients in the U.S. and abroad. Intrados associates have assisted government officials and corporate executives in making informed decisions regarding foreign investments, global marketing strategies, debt conversion techniques, risk management systems, and international negotiations.

Advisory services provided by Intrados Group associates have included:

- o *evaluation of a USAID-financed, multi-year privatization project in the Philippines;*
- o *design of a series of self-study modules for bank examiners under the auspices of the Federal Financial Institutions Examination Council;*
- o *analysis of global equity markets for the U.S. association of mutual fund managers;*
- o *investigation of the feasibility of using municipal bond financing for infrastructure and housing projects in developing countries;*
- o *assessment of debt conversion options for an Eastern European government;*
- o *development of a hedging mechanism to counter foreign exchange risk for a multilateral insurance agency;*
- o *market analysis of post-unification Europe for a U.S. telecommunications company;*
- o *expert witness testimony on the valuation of assets for expropriation settlements;*
- o *assessment of the privatization program of a southeast Asian country and the potential for U.S. investment.; and*
- o *establishment of a political risk management system for an oil service company.*

These services can complement Intrados/IMG training programs. As a follow-up to any seminar, Intrados associates can: provide specific management recommendations; develop and conduct follow-on study tours; structure commercial agreements; identify investors and sources of finance; and assist in developing negotiation strategies. As in all of its activities, the Intrados approach combines academic rigor and practical experience, with particular concern for the client's needs.

INTRADOS PUBLICATIONS

SWAPS: The Newsletter of New Financial Instruments

SWAPS is a quarterly publication that monitors innovations in international financial markets. Its subscribers include investment and commercial bankers, lawyers, corporate policy makers, insurers, and central bankers worldwide. By providing business leaders and government officials with the insight and commentary of financial experts, *SWAPS* offers a valuable service to the international community.

Other Publications by Intrados Authors

Financial Risk Assessments (Annual reports on twenty-six developing countries);
Global Business Management in the 1990s (Beacham Press, 1990);
Reintegration of the Global Oil Industry (Intrados Group, 1988);
U.S. Industrial Competitiveness: The Case of the Textile and Apparel Industries (Lexington Books, 1987);
Financing Third World Development (International Law Institute, 1987);
The Multinational Enterprise in Transition (The Darwin Press, 1984; rev. ed. 1986);
International Political Risk Management: New Dimensions (Georgetown University, 1984);
Petroleum Investment in Developing Countries (The Economist Intelligence Unit, 1982).

SELECTED CLIENTS

Abu Dhabi Investment Authority
Aramco
Asian Development Bank
AT&T
Capital Markets Authority of Indonesia
Capital Markets Authority of Kenya
Central Bank of Nigeria
Credito Emiliano
Digital Equipment Corporation
Ericsson
Federal Deposit Insurance Corporation
GTE
InterArab Investment Guarantee Corporation
Kodak
Ministry of Finance (Sri Lanka)
Ministry of Industry (Egypt)
Overseas Private Investment Corporation
Saudi Arabian Monetary Agency
The George Washington University
The Pennsylvania State University
Trinidad & Tobago Stock Exchange
United Nations Development Programme
U.S. Agency for International Development
U.S. Securities and Exchange Commission
University of California at Berkeley
The World Bank

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ADVISORY BOARD

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INTRADOS/IMG

BANK RESTRUCTURING THROUGH REGULATION AND SUPERVISION

November 9-20, 1992

HOURS:
AM 9:00 - 12:00
PM 1:30 - 4:30
* denotes joint session

LOCATION:
Georgetown Suites
1000 29th Street, N.W.
Tel: (202) 298-1600

MONDAY 9	TUESDAY 10	WEDNESDAY 11	THURSDAY 12	FRIDAY 13	SATURDAY 14
8:30 Welcome & Introduction Evolution of Banking Systems *Caprio**	Pre-Conditions for Effective Regulation and Supervision *Sarkis*	Restructuring Concerns *Handorf** 12:00 Group Photo	Restructuring Alternatives *Handorf**	Deposit Insurance & Bank Examination *Mizelle*	10:00-3:00 Bus Tour of Washington, D.C.
Country Presentations *Staff**	Measuring & Managing Interest Rate Risk *Handorf** 6:30 Reception	Financial Instruments for Restructuring *Ehsani**	Credit Analysis: Case Study *Ghadar* 6:30 Social Dinner	Country Presentations (Continued) *Staff*	SUNDAY 15 FREE DAY
MONDAY 16	TUESDAY 17	WEDNESDAY 18	THURSDAY 19	FRIDAY 20	SATURDAY 21
Financial Sector in Countries in Transition *Mehran*	Fundamentals of Off-Site Supervision *Handorf*	Supervision of Trading & Hedging Operations *Gartman*	Asset / Liability Management *Park**	Summary and Evaluation *Staff**	BON VOYAGE !
Role of Securitization in Restructuring *Ghadar*	Lessons Learned: The BCCI Case *Ryback*	Role of Financial Instruments in Restructuring *Ehsani**	Portfolio Management *Park** 6:30 Awards Dinner	NO SESSION	

INTRADOS/
International
Management Group

BANK RESTRUCTURING THROUGH REGULATION AND SUPERVISION

November 9-20, 1992

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BANK RESTRUCTURING THROUGH REGULATION AND SUPERVISION
November 9-20, 1992

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EVOLUTION OF THE BANKING SYSTEM: POLICY & RESTRUCTURING

The past two decades have witnessed a major structural transformation taking place in the financial sectors of both the developing and the developed countries. In recent years the pace of this change has accelerated sharply, accompanied by an unprecedented number of bank failures. The purpose of this session is to review those changes which have a special bearing on the solidity of a financial system in light of the macroeconomic policies adopted by governments in both developed and developing countries. In this context, we will review the impact of monetary exchange rate and fiscal policies on the financial position of the banking system.

This session will also explore the challenges facing bank managers and regulators of the financial system in light of these structural and policy changes. Finally, we will examine remedies which may yet be effective in meeting the needs of the new marketplace--both domestic and international--and reconciling the many competing and, at times, conflicting objectives of public policies with the soundness of the banking system.

Required Reading:

"Finance and Its Reform: Beyond Laissez-Faire," by Lawrence H. Summers and Gerard Caprio, Jr., The World Bank, September 1992.

"International Banking," *The Economist,* April 7, 1990.

PRE-CONDITIONS FOR EFFECTIVE REGULATION AND SUPERVISION

This session discusses the supervisory structure in the United States, the basic objectives of bank supervision, and the U.S. government's goal of ensuring the stability of the financial system. We will then take an in-depth look at creating an effective framework for prudential regulation as an essential element in building an efficient framework for bank supervision. We will go on to examine the tools and techniques used to assess management, asset quality, capital adequacy, earnings, liquidity, and the overall financial condition of a bank; the effective use of prudential reports submitted by banks; and the importance of on-site examination capabilities of bank supervisors.

Through these discussions, participants will gain a better understanding of regulations affecting banking institutions and major regulatory and supervisory topics being discussed at the international level.

Required Reading:

"C.A.M.E.L.," Overheads, by Sarkis Yoghourtdjian, April 1992.

"Models of Bank Supervision," from *Bank Supervision: Suggested Guidelines,* Financial Policy and Systems Division, The World Bank, April 1991.

"Commercial Bank Report of Examination." The Federal Reserve, February 2, 1990.

RESTRUCTURING CONCERNS

Failing financial institutions can disrupt the efficient flow of funds within an economy and can negatively impact the capital formation process. Failures can adversely affect the payment system, reduce the incentive to save, retard the ability to borrow, and dissipate wealth. To be effective, resolution methods must promote capital formation within an economy. They must also provide a viable operating alternative and represent a least-cost option.

This session highlights some of the early warning signs suggestive of later bank failure. Economic, regional/industry, and financial characteristics are highlighted, with special attention directed toward credit risk and asset quality. Bond ratings and security prices are also evaluated as a source of market information and as a potential source of later raising capital. The session concludes by highlighting the factors management must pursue to position a bank to raise capital.

Required Reading:

"Problems Causing Financial Institution Failure," by William C. Handorf, 1992.

"Market Positioning to Raise Capital," *Corporate Finance Letter,* November 1991.

RESTRUCTURING ALTERNATIVES

This session briefly provides an asset/liability framework that regulators and/or bank managers must consider prior to effecting one of several restructuring alternatives. The concepts of return on equity and cost of equity are introduced and related to a bank's risk/return position and wealth creation. The session concludes by identifying private alternatives available to resolution of a problem bank, to include: earn-out, shrinkage, portfolio restructuring, conversion, security sale, and merger. Private alternatives are briefly compared to governmental solutions, including: open-bank assistance, deposit transfer, and liquidation.

Required Reading:

"Introduction to Asset/Liability Management," by William C. Handorf.

"Capital Management: An Overview," by William C. Handorf, in *Bank Portfolio Strategist*, January 1991.

"The Art of Bank Restructuring: Issues and Techniques," by Andrew Sheng, EDI Working Papers, The World Bank, June 1991.

THE FINANCIAL SECTOR IN COUNTRIES IN TRANSITION: THE CASE OF EMERGING MARKET ECONOMIES

In this session we will review the developments in the financial sectors of a number of economies undergoing transition to a market-based system. These so-called "emerging market economies" are in the process of transformation from a centrally planned monobanking system to a two-tier banking system within a competitive market environment. They frequently encounter a number of legal, institutional and operational problems at a time when the resolution of the political authority may be severely constrained and the immediate economic consequences of the reform measures may prove to be socially costly.

During this session, we will examine the economic and banking profile of centrally planned economies and measures taken to transform them to a market-oriented system, with a focus on the lessons learned from the common experience of these countries. We will also discuss a possible sequencing of reform measures which may, in the long run, minimize the social cost inherent in the transformation process.

The session will draw in particular on the financial sector reform programs of Albania, Hungary, Poland, Czechoslovakia, and Romania. We will also review measures recently taken in the republics of the former Soviet Union to restructure the banking system within an enabling, competitive financial environment and to establish independent central banking and regulatory authorities responsible for bank supervision and monetary management. Finally, we will describe the difficulties these countries face in building an effective supervisory environment and a credible monetary policy.

Required Reading:

"Financial Reform in Socialist Economies in Transition," by Millard Long and Silvia B. Sagari, Financial Policy and Systems Working Paper, The World Bank, June 1991.

"Central Banking Reforms in Formerly Planned Economies," by V. Sundararajan, *Finance & Development*, March 1992.

"Reform of Monetary Policy Instruments," by Chorng-Huey Wong, *Finance & Development*, March 1992.

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FUNDAMENTALS OF OFF-SITE SUPERVISION

Bankers and regulators may evaluate the risk of a bank by analyzing financial data applicable to the bank and the holding company. The importance of certain ratios is a function of the bank's financial operations and condition, trends within the global/national/regional economies, the level and structure of interest rates, competition, and shifts in accounting standards or regulatory rules.

This session will provide a systematic review of the key ratios applicable to a bank that describes: capital adequacy, asset quality, management of interest rate risk, earnings and liquidity.

Required Reading:

"Off-Site Surveillance Systems," from *Bank Supervision: Suggested Guidelines*, Financial Policy and Systems Division, The World Bank, April 1991.

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Module 5
BASIC FOREIGN EXCHANGE TRADING

SUPERVISION OF TRADING AND HEDGING OPERATIONS

This session will focus on the supervision of bank trading, hedging, and asset/liability operations by regulatory officials. Particular attention will be focused on the use of derivatives, how to account for trading in those derivatives, how to understand what is being transacted and why, problems that supervisors may experience when dealing with bank trading operations, and other similar issues. Case studies will be used, moving from very simple examples of trading activities toward the most complex.

Required Reading:

"The Development of the Swap Market," by Rod Beckstrom, from *Swap Finance,* Volume I, Euromoney, 1986.

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ASSET/LIABILITY MANAGEMENT: IMPLICATIONS FOR BANKERS AND REGULATORS

During the past decade, there have been significant changes in asset and liability management in banks. These changes have taken place in the context of turbulent financial market developments, which have been a fertile ground for international financial innovations. The recent focus has been on off-balance sheet, fee-based operations in order to supplement the traditional lending business, which has been adversely impacted due to the world debt crisis and real estate and other problem loans.

As banks accelerate their off-balance sheet activities, it is critical for regulators and managers alike to understand the accompanying risks. Bank managers must also devise ways to manage these risks effectively in order to survive the new challenge. This session will provide an analysis of the important implications of off-balance sheet activities.

Required Reading:

"Off-Balance Sheet Activities of U.S. Banks: An Empirical Evaluation," by Dara Khambata, *Columbia Journal of World Business,* Summer 1989.

"Asset/Liability Management," from *Bank Supervision: Suggested Guidelines,* Financial Policy and Systems Division, The World Bank, April 1991.

PARTICIPANT ROUNDTABLE/COURSE SUMMARY

Banking system restructuring is difficult to accomplish. Political and social imperatives, combined with a shortage of well-trained managers, can undermine the sound functioning of financial institutions. The objective of this session is to review the problems facing the banking sector during restructuring, to examine the measures to foster vital, independent financial institutions, and to recapitulate the salient points senior bank managers and regulators must consider in order to meet the challenges of financial sector restructuring.

Required Reading:

No readings for this session.

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APPENDIX G

The Economics Institute's 1993 World Banking and Finance Program.

THE ECONOMICS INSTITUTE
1030 13th Street, Boulder, Colorado 80302-7306, U.S.A.
(303) 492-3000
FAX: (303) 492-3006
TELEX: 450385 ECONINST BDR

Sponsored by the American Economic Association
Affiliated with the University of Colorado
TELEPHONE: 303-492-3000
FAX: 303-492-3006
TELEX: 450385 ECONINST BDR

DATE: March 29, 1993

TO FAX NUMBER: (703) 908-1649

TO: Mr. Dennis Smyth
Senior Associate
Coopers & Lybrand
1530 Wilson Boulevard
Arlington, VA 22209
Telephone: (703) 908-1656

FROM: Ms. Stephanie Curran-Frenzl
Senior Program Officer
Telephone: (303) 492-7116

Stephanie

MESSAGE: Hello! Thank you for calling and faxing. Attached is a condensed fax version of our Sixth Annual 1993 World Banking and Finance Program, as well as other Economics Institute materials.

The Economics Institute is the national, nonprofit education program of the American Economic Association. For 35 years, the Institute has conducted graduate-level courses for foreign professionals planning to undertake degree programs in economics, agricultural economics, and business administration at U.S. universities. In recent years, the Economics Institute has added non-degree programs in a variety of fields, the most noteworthy of which is its World Banking and Finance Program which has attracted professionals interested in bank management and financial sector development from commercial and development banks, central banks, finance ministries, and institutions that supervise banks and other financial institutions, as well as policymakers interested in the role of finance in development. These professionals have been sponsored by such organizations as Asian Development Bank, Deutsche Bundesbank, Central Bank of Nigeria, Kuwait Fund for Economic Development, Korean Ministry of Finance, Bank Indonesia, Banco Central de Nicaragua, Central Bank of China, Fuji Bank, Export-Import Bank of Korea, Saudi Arabian Monetary Agency, Central Bank of the Philippines, Banco Central de Honduras, Banco Central Ecuador, Bank of Korea, The World Bank, Bank of Tanzania, and others.

I would be pleased to provide any additional information about the Program if you have questions. Thank you for your interest!

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TOTAL NUMBER OF PAGES (INCLUDING THIS PAGE): Ten (10)

(PLEASE TELEPHONE, TELEX, OR FAX IMMEDIATELY IF YOU DO NOT RECEIVE ALL OF THE PAGES.)

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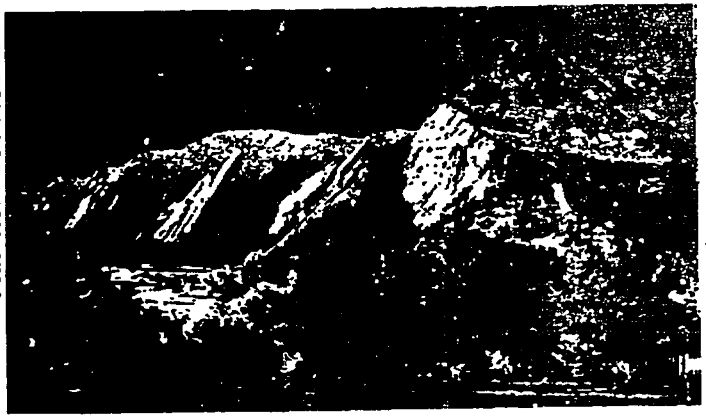
The Economics Institute

The Economics Institute is a nonprofit educational center sponsored by the American Economic Association and affiliated with the University of Colorado. The Institute offers a variety of year-round post-graduate diploma programs.

Participants study economics, business, English, and computer and information science in a program that provides an excellent introduction to life in the United States, including cultural, educational and economic issues.



Who Should Attend The Economics Institute?

These programs are designed for individuals preparing to enter a U.S. graduate degree program in economics, business and related fields, and for professionals who wish to refresh or supplement prior training.

The Academic Program

The Economics Institute's curriculum offers coursework in economics, business, administration and computer and information science. This is combined with intensive instruction in English language communication skills, including: structure, reading and writing, speaking and listening. English classes include advanced practical applications, business communication, library research and preparation for teaching assistantship positions.

Participants may receive graduate credit to fulfill university degree requirements from the University of Colorado for advanced courses in economic theory and quantitative methods.

Degree Preparation

The Economics Institute helps students make a successful transition to U.S. graduate study through academic training, preparation for admissions tests (GMAT, GRE, and TOEFL) and through university placement assistance.

Professional Development Programs

Mid-career professionals profit from Economics Institute programs by enhancing existing skills and by receiving advanced training in areas of special interest: economics, computer and information science, management, banking and finance, accounting, project evaluation, and related fields.

Certificates, Transcripts and Diplomas

Certificates and official course transcripts are awarded to individuals who successfully complete their Economics Institute study program. Post-graduate diplomas are awarded to trainees who successfully complete all course requirements in their field of study.

University Placement Assistance

The Institute guarantees admission to a reputabl U.S. university for any trainee who successfully completes an Institute diploma program. The Ins tute maintains cooperative agreements with over 50 leading U.S. universities. Faculty members wo closely with students to guide them through the process of choosing appropriate graduate progra making applications and seeking scholarships.

Commercial Test Preparation

The Economics Institute helps prepare trainees for the TOEFL, GMAT, and GRE tests. The program uses sophisticated materials including computer exercises, listening tapes and sample tests that parallel today's examinations. Over th years, our instructors have developed innovative and highly effective teaching techniques and materials.

Orientation and Special Events

The Institute staff offers a variety of activities to introduce students to American customs and culture. Social events and excursions are planned for each session. Students are invited to enjoy the vast beauty of Colorado mountain parks, to share the excitement of local sporting events and much more. Receptions, picnics, and weekly conversation hours encourage friendships among students, faculty and staff, and create a chance to meet Americans in a comfortable social setting.

Two special programs support this important process. The Friendship Family program enables participants to socialize with area families in their homes. The Conversation Partners program matches trainees with American students for informal conversational practice.

Housing Services

All trainees are immediately provided with housing that satisfies personal preferences and budget requirements. Accommodations are within walking distance of the Institute. Options include dormitories and family housing on the University of Colorado campus, furnished apartments in the community, and the Institute's own international residence house.

Special Facilities

- ☐ All computer laboratories are connected to a modern network system, with extensive software packages supporting courses in English, economics, business, and statistics.
- ☐ A library of videotaped lectures and courses is available for use in reviewing class materials and supplementing regular course offerings.
- ☐ Institute trainees have full access to University of Colorado facilities including dormitories, the recreation center, and the two-million-volume Norlin Library.

Special Features

- ☐ Classes are small, taught by Institute faculty and by visiting professors from leading universities.
- ☐ Academic programs are individually designed and supplemented with comprehensive advisory services.
- ☐ By special arrangement, internships and mentoring contacts can be integrated into a trainee's academic program.
- ☐ Field trips give trainees a chance to visit local businesses, farms and government agencies.

Duration and Entry Dates

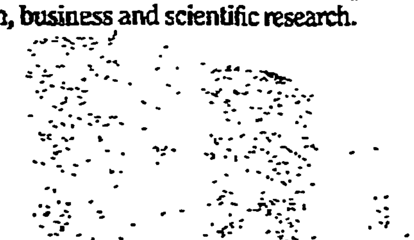
Programs vary from six weeks to two years depending on training goals and entry levels of proficiency in English and academic subject are[a] Trainees can choose to begin study during any o of nine entry dates during the year.

Admission Requirements

In order to be admitted to the Economics Institute, applicants must have a Bachelor's degree with an acceptable scholastic record, or the equivalent in professional experience, basic English communication skills and guaranteed financial support.

Boulder, Colorado

Boulder is a friendly, safe, cosmopolitan city wit 80,000 year-round residents and moderate livin costs. Situated in the foothills of the beautiful Rocky Mountains, it is a center for higher educa tion, business and scientific research.



1993 World Banking and Finance

*Condensed version for FAX

Sixth Annual Program

Term 1 June 4 - July 9, 1993
Term 2 July 9 - August 13, 1993
Terms 1 and 2 June 4 - August 13, 1993

THE ECONOMICS INSTITUTE
1030 13th Street
Boulder, Colorado 80302 U.S.A.

Phone (303 492-3000
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The World Banking and Finance Program is offered annually at the Economics Institute during the summer session. The program is designed for professionals involved in bank management and financial sector development. As countries undertake financial liberalization, bankers, government policymakers, and development agency professionals are increasingly aware that effective economic development requires attention to financial services for previously neglected segments of the population.

Term 1 of the World Banking and Finance Program highlights innovative techniques that have improved bank operations in increasingly competitive environments and have also allowed institutions to reach small scale entrepreneurs in both rural and urban areas.

Term 2 of the Program examines the essential elements of financial policy reform and their implementation, particularly through the modernization of central bank operations and improved regulation and supervision of financial institutions.

Each term offers different topics, and participants may wish to consider attending both terms.

Core courses are taught in five-week formats, and are complemented each week by intensive week-long seminars. Since graduate credit is available from the University of Colorado for core courses, the program requires the active involvement of participants through presentations and case studies.

In addition, **The Economics Institute** offers year-round post-graduate course work in English, economics, business, computer and information science, mathematics, and statistics. World Banking and Finance participants may choose to enroll in one or two of these courses, at no additional cost.

Boulder is situated in central Colorado, in the foothills of the scenic Rocky Mountains. The city is about 40 kilometers northwest of Stapleton International Airport in Denver. An hourly limousine service runs from the airport to the Institute. Boulder is a friendly, safe, cosmopolitan city with 80,000 year-round residents and moderate living costs.

Orientation and Special Events (O&SE) staff members welcome participants when they arrive and assist them with becoming settled in the Boulder community. Participants are assisted in finding accommodations that satisfy personal preferences and budget requirements. O&SE supports the World Banking and Finance Program by offering business tours, conversation hours, recreational activities, and orientation to the United States.

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Innovative Banking Techniques
(Core course)

Traditional banking technologies have been unable to reach substantial portions of the productive and commercial sectors of most economics. This course focuses on recent innovations in various countries that have allowed banks, as well as cooperatives and non-governmental organizations, to profitably finance a wide array of non-traditional clients, including small farmers, small and micro-enterprises, and low-income families seeking improved housing. Specialized techniques are emphasized for borrower selection, loan administration, asset/liability management, and the funding of credit through new approaches to savings mobilization and the tying of lenders into national capital markets.

Bank Simulation

Few bankers in developing countries have had the opportunity to manage a bank in a liberalized financial setting. This course features a computerized banking model that allows participants to operate a modern commercial bank within the regulatory guidelines of a liberalized financial sector. Participants work in teams to make strategic and operational decisions and to implement bank policy regarding loans, investments, capital, deposits, and other sources of funds in a dynamic economic environment. Previous experience with computers is helpful but not essential.

Financing Small-Scale Enterprises

The importance of small-scale enterprises for economic development has been increasingly recognized -- and so has the difficulty of providing them with access to finance. This course focuses on key elements in the design and implementation of new approaches to offering financial services to small-scale enterprises based on a thorough analysis of their key characteristics and the types of financial services most helpful to them. The presentations and case studies draw conclusions on operational innovations from various countries that can be useful for most types of institutions wishing to enhance their financing of small-scale enterprises.

Creating Debt Capacity to Build Viable Credit Relationships

Credit programs directed at small borrowers typically encounter serious loan recovery problems. This course analyzes the main reasons for these problems. It recommends a new approach to lending that improves loan recovery by increasing the debt capacity of borrowers and establishing durable credit relationships. This new approach emphasizes the crucial role of innovation in expanding access to finance for micro-enterprises and small-scale agricultural producers. Principles are illustrated through examples from a number of countries.

Bank Management

A high proportion of banks in many countries are struggling to avoid losses, while others may be insolvent. This course examines modern approaches to bank management, as well as improvements in traditional practices, that can help deal with these problems even in a hostile policy environment. Among the key elements considered are credit analysis and review, asset and liability management, and strategic planning. Techniques of bank management are illustrated through extensive use of case studies.

Lessons from Informal Finance

Recent research has indicated the importance of informal financial markets in almost every country of the world. This course examines how successful institutions have incorporated lessons from a variety of informal financial arrangements in their operations, thereby improving both their effectiveness and their sustainability. Discussions also focus on the opportunities of formal institutions to link with informal agents to offer a broader array of financial services to a wider range of clients.

Financial Sector Reform and Structural Adjustment (Core course)

Many countries face severe financial sector problems and are seeking ways to deal with them. This course examines approaches to financial sector reform currently recommended by international agencies such as the World Bank and the International Monetary Fund, as well as long-standing controversies over inflation and stabilization. Based on case studies drawn from a variety of countries, essential components of successful implementation are analyzed, including the timing of reforms and the possible adverse impacts of liberalization on financial institutions.

Bank Management

This seminar complements the Bank Management seminar in Term 1. (See Course and Seminar Descriptions, Term 1.)

Development and Implementation of Monetary Programs

The inability of central banks to develop consistent monetary programs and to negotiate successfully with international agencies often hampers implementation of financial adjustment programs. This course shows how a consistent monetary program can be developed, taking into account the balance of payments and the fiscal situation as well as essential monetary constraints. Examples from actual programs are used to illustrate different approaches to negotiating agreements with international agencies.

Central Bank Organization and Operations

Central banks in many countries are unprepared for financial reform, as they lack both economic expertise and appropriate structures to monitor rapidly changing situations and translate abstract analysis into effective monetary policy. This course examines the functions of central bank analytical units and the effective transmission of analysis to operating units in charge of foreign exchange transactions, open market operations, and rediscounting. Examples of central banks faced with implementing reform programs in periods of instability are used.

Bank Examination

The task of bank examination becomes both more crucial and more difficult when banks are insolvent, as owners and managers may seek to hide this fact in order to remain in operation. This course outlines key elements of bank examination essential for detecting actual and potential insolvencies so that governments can be saved from the potentially enormous costs of either bailing out insolvent banks or allowing financial collapse. Cases are used to illustrate major problem areas such as refinancing non-performing loans, accrued but uncollected interest, failure to reveal contingent liabilities, and excessive exposure to interest and exchange rate risks.

Bank Regulation and Supervision

Inadequate regulation and supervision has failed to detect widespread insolvencies in many countries, with governments facing the option of either allowing bank failures and risking widespread financial collapse or engaging in costly bailouts. This course examines the elements of bank regulation that have been most conducive to avoiding insolvencies, the organization and powers of bank superintendencies that have been particularly effective in dealing with problem banks, and the role of deposit insurance and other types of guarantees in avoiding bank failures.

International Debt Management

Excessive international indebtedness has been a heavy burden that has severely constrained the growth of many developing countries during the 1980s. This course examines the origins and extent of the debt burden, various approaches that have been used to restructure international debt, and how international debt affects domestic financial markets. Case materials are drawn from a number of countries that have proposed or been involved in debt restructuring operations.

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Faculty Term 1: June 4 - July 9, 1993

Dr. Dale W Adams, Professor of Agricultural Economics at The Ohio State University, has published and consulted extensively on rural financial markets, agricultural credit and informal financial markets in developing countries. Dr. Adams was one of the founders of the World Banking and Finance Program and has participated the past five summers.

Robert P. Christen, formerly director of ACCION International's micro-enterprise lending programs in Chile and Costa Rica, is currently Co-director of the Interamerican Management Consulting Corporation's (IMCC) financial markets development division. In addition to consulting on micro-enterprise finance, Mr. Christen is also an expert on housing finance and on the development of rural financial institutions, and has participated in the World Banking and Finance Program the past two summers.

Steven Graybill, formerly a vice president with Bank of America in the U.S. and various Asian countries, is currently lead banking consultant with IMCC on projects for international development agencies in Asia and the Caribbean. Mr. Graybill has been CEO in a turn-around situation for a publicly-listed manufacturing company, has advised Fortune 100 companies on international business, and has arranged various mergers and acquisitions.

Dr. Carl Liedholm, Professor of Economics at Michigan State University and Director of its Small Enterprise Employment Project, has analyzed micro-enterprises, as well as programs developed to support them, in a large number of developing countries. Dr. Liedholm has participated in the World Banking and Finance Program the past four summers.

John J. McGuire has over twenty years of experience in bank operations and management in the U. S. and Central America, including positions as senior vice president of Barnett Banks, president of Eastern National Bank and vice president of Security Pacific Bank. Mr. McGuire is currently senior banking consultant for IMCC and has participated in the World Banking and Finance Program the past three summers.

Dr. J. D. Von Pischke is a senior financial analyst in an Asian Projects Division at the World Bank. He has held a variety of other positions with the World Bank since the mid-1970s, including key assignments dealing with agricultural credit policy. Dr. Von Pischke has participated in the World Banking and Finance Program the past three summers.

Dr. Robert C. Vogel (See Faculty, Term 2.)

Term 2: July 9 - August 13, 1993

Dr. James A. Hanson, formerly Professor of Economics at Brown University, has served as lead economist with the World Bank in its Financial Development Division, its Debt and International Flows Division and its Latin America Division and was also chief economist in its India office. Dr. Hanson has participated in the World Banking and Finance Program the past two summers.

Dr. David Hoelscher, currently Senior Economist in the Central Banking Department of the International Monetary Fund, previously worked for the Fund as chief country economist for Bolivia, Chile and Ecuador and as resident representative in Bolivia. Dr. Hoelscher has also been an economist with USAID and the Economic Commission for Latin America and has taught at universities in the U. S. and Latin America.

Sandra Jackson, a bank examiner with the Federal Reserve Bank of San Francisco from 1975 through 1988, is currently president and chief financial officer of a company located in Utah. Ms. Jackson has played a leading role in international training for bank examiners for the World Bank and the Federal Reserve System and has participated in the World Banking and Finance Program the past three summers.

John J. McGuire (See Faculty, Term 1.)

Dr. Juan Carlos Protasi, formerly President of the Central Bank of Uruguay and Director of Uruguay's Bureau of Statistics and Census, is currently a senior consultant with IMCC on financial sector policy analysis and the organization and operation of central banks. Dr. Protasi, a frequent consultant to USAID, the Inter-American Development Bank and the World Bank, has participated in the World Banking and Finance Program the past two summers.

Dr. Robert C. Vogel, Director of the Economic Institute's World Banking and Finance Program, is Executive Director of IMCC, a consulting firm specializing in financial sector development. He has been a professor of economics at several universities and is currently Adjunct Professor of Agricultural Economics at The Ohio State University. He has also been a financial economist with the World Bank and a senior staff economist with the President's Council of Economic Advisors.

1993 Summer Schedule

Term 1

June 4	Registration, housing and orientation
June 8-July 9	Classes meet

Term 2

July 9	Registration, housing and orientation
July 13-August 13	Classes meet
August 13	Institute graduation ceremony

Enrollment
To maintain the advantages of a small-group environment, enrollment for the 1993 Program will be limited.

English Requirements
A working knowledge of written and spoken English is necessary. Participants may wish to refresh their English skills by attending Economics Institute English classes prior to the World Banking and Finance Program.

Classroom Materials
Books and class materials will either be distributed at the beginning of each course, or participants will be directed where to purchase them. Participants will need basic materials such as a simple calculator, pens, pencils, and notebooks.

Health Care
Because health care is privately funded in the United States, all participants are required to maintain adequate health and accident insurance. An insurance policy for sickness and accident is available through the Institute at a cost of $35 per month for a single participant.

Clothing
Casual summer dress is appropriate.

Living Expenses
Living expenses can vary substantially depending on personal preferences. In any case, participants should expect $1,000 to $1,700 per month for housing, living expenses, textbooks, class materials and health insurance. (Please refer to Cost and Housing brochure.)

REGISTRATION

Please print or type.

____
Name: Enter full name, circle family name

____
Mailing address

____

____
City or Town | Province and Country

____
Telephone number | Fax number

____
Employer

____
Position/Occupation

Please include a resume or curriculum vitae with this registration form.

I wish to register for:

☐ **Term 1** June 4 through July 9
Tuition: $3,450.00

☐ **Term 2** July 9 through August 13
Tuition: $3,450.00

☐ **Terms 1 and 2** June 4 through August 13
Tuition: $6,450.00

I understand that I will be personally responsible for all charges and expenses incurred which are not provided directly to the Institute by a sponsoring agency. All charges are payable at the time of registration unless I have made alternative arrangements.

____

Registration (continued)

Type of housing preferred

University of Colorado dormitory room and board
☐ Double ☐ Single

University of Colorado Family Housing
Furnished apartment (requires $50 deposit)
☐ 1 Bedroom ☐ 2 Bedroom

Economics Institute dormitory
☐ Single

Off-campus housing (describe) ______________________________

____

Do you plan to bring family members with you?
☐ Yes ☐ No

If yes, spouse's name ______________________________

Ages and sexes of children ______________________________

____

A registration fee of US $100 must accompany this form. This registration fee will be deducted from the tuition and fee charges upon registration but is otherwise not refundable.

Send registration, resume, and deposit to:
Admissions Office
Economics Institute
909 14th Street
Boulder, Colorado 80302 U.S.A.

For more information:
Telephone (303) 492-3000
Fax (303) 492-3006

The Economics Institute reserves the right to add, modify or delete courses. All dates and costs subject to revision.

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COURSE LISTING

The Economics Institute offers courses in economics, business, administration, and computer and information science, as well as a wide variety of offerings in English, commercial test preparation and graduate school preparation. English courses are taught at the introductory, intermediate, and advanced levels. Other courses are available at the undergraduate (3000 and 4000 courses), masters (5000 and 6000 courses), and Ph.D. (7000 courses) levels.

THE ECONOMICS INSTITUTE
Established 1958
Sponsored by the
American Economic Association

909 14th Street
Boulder, Colorado 80302

Phone: (303) 492-3000
Telex: 45-0385
Fax: (303) 492-3006

CORE COURSES
in Economics and Business

Number	Title	Credit
	Microeconomics	
3010	Introduction to Microeconomics	1.50
4010	Intermediate Microeconomic Theory	3.00
5010	Advanced Intermediate Microeconomics	3.00
6010*	Microeconomic Theory	3.00
7010*	Advanced Microeconomic Theory	2.00
	Macroeconomics	
3020	Introduction to Macroeconomics	1.50
4020	Intermediate Macroeconomic Theory	3.00
5020	Advanced Intermediate Macroeconomics	3.00
6020*	Macroeconomic Theory	3.00
7020*	Advanced Macroeconomic Theory	2.00
	Mathematics	
4130	Mathematics	3.00
6130*	Mathematical Economics	3.00
7130*	Advanced Mathematical Economics	2.00
	Finance	
4240	Business Finance	3.00
6240	Advanced Financial Management	3.00
	Accounting	
4210	Introductory Financial Accounting	3.00
4270	Managerial Accounting	3.00
4310	Cost Accounting I	3.00
4410	Cost Accounting II	3.00
4510	Intermediate Financial Accounting I	3.00
4610	Intermediate Financial Accounting II	3.00
4810	Income Tax Accounting	3.00
4910	Advanced Financial Accounting	3.00
4920	Business Law	3.00
4930	Government/Non-profit Accounting	3.00
4940	Auditing	3.00
	Quantitative Methods	
4140	Statistics	3.00
4150	Foundations of Quantitative Methods	3.00
6140*	Econometrics	3.00
7140*	Advanced Econometrics (includes GAUSS)	2.00
	Management/Operations Research	
4220	Management and Organization	3.00
4250	Management Science	3.00
	Marketing	
4230	Fundamentals of Marketing	3.00

FIELD COURSES §

	Economics	
4001	U.S. Economy	1.50
4254	Project Planning and Evaluation	3.00
5101	Money and Banking	3.00
5121	International Trade and Finance	3.00
5201	Agricultural and Rural Economics	3.00
	Business and Administration	
6012	Managerial Economics	3.00
6032	Management Information Systems	3.00
	One-week Seminars	
5011	U.S. Agriculture	0.75
5264	Survey Research Techniques	0.75
6022	Comparative Central and Commercial Banking	0.75
6024	Open Economy Macroeconomics	0.75
6214	Agricultural Development	0.75
6514	Capital Budgeting	0.75
6534	Strategic Planning	0.75
6544	Financial Statement Analysis	0.75

* *Receives University of Colorado graduate credit*
§ *Taught as demand permits*

COMPUTER AND INFORMATION SCIENCE

Introductory

3025	Wordprocessing	0.75
4400	Microcomputer Utilization	1.50

Intermediate

4045	Spreadsheeting	0.75
4055	Data Management	0.75

Advanced

5045	Advanced Spreadsheeting	0.75
5055	Advanced Data Management	0.75

FIELD COURSES§

4075	Linear Programming Software	0.75
4105	Introduction to Programming: PASCAL	3.00
4115	Programming in BASIC	3.00
4125	Programming in COBOL	3.00
4135	Programming in C	3.00
5035	Adv. Software Packages for Economics and Business	0.75
5405	Discrete Structures	3.00
5415	Data Structures and Algorithms	3.00
5425	Computer Architecture and Assembly Language	3.00
5435	Operating Systems	3.00
5455	Principles of Programming Languages	3.00
6244	Database Design and Analysis	3.00
6305	Software Engineering	3.00

§ *Taught as demand permits*

English Courses

Basic English

1103	Basic English I: Speaking and Listening	1.50
1203	Basic English I: Structure	1.50
1303	Basic English I: Reading and Writing	1.50
2103	Basic English II: Speaking and Listening	1.50
2203	Basic English II: Structure	1.50
2303	Basic English II: Reading and Writing	1.50

Intermediate English

3103	Intermediate English I: Speaking and Listening	1.50
3203	Intermediate English I: Structure	1.50
3303	Intermediate English I: Reading and Writing	1.50
4103	Intermediate English II: Speaking and Listening	1.50
4123	Pronunciation	0.75
4203	Intermediate English II: Structure	1.50
4303	Intermediate English II: Reading and Writing	1.50
5103	Intermediate English III: Speaking and Listening	1.50
5203	Intermediate English III: Structure	1.50
5303	Intermediate English III: Reading and Writing	1.50

Advanced English

4123	Pronunciation	0.75
6203	Structure	1.50
6303	Research Paper	1.50
6813	Academic Skills	1.50
6823	Business Communication	1.50
6833	American Culture Through Literature	1.50

Preparatory Courses

4006	TOEFL Preparation, Part 1	1.50
	TOEFL Preparation, Part 2	1.50
4106	GRE Preparation, Verbal	1.50
	GRE Preparation, Quantitative	1.50
	GRE Preparation, Analytical	1.50
4206	GMAT Preparation, Verbal	1.50
	GMAT Preparation, Quantitative	1.50
6810	Library Research	1.50
6820	Research Methodology	1.50
6913	Preparation for Teaching Assistantship	1.50

Institute courses are five or ten weeks in duration, with most 3.0 credit courses taught over ten weeks and most courses less than 3.0 credits taught over five weeks. Full-time status requires an academic credit load of 4.0-6.0 credits per five-week term; or 8.0-12.0 credits over a ten-week period. A 5.0 credit load per five-week term requires approximately 50-65 hours per week of work both in and out of the classroom.

The Economics Institute reserves the right to add, modify or delete courses, depending upon enrollment demand. 6/92

APPENDIX H

Center for Financial Engineering in Development Workshop:

"Restructuring Banking Institutions: Techniques

for Managing Successful Turnarounds."

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Medical and Accident Insurance
Medical insurance is not provided by CFED. Participants are advised to make arrangements with their sponsoring agency to have medical insurance coverage provided for the duration of the workshop. Participants are also responsible for any inoculations and visas required for entry into the United States.

Workshop Manual
At the beginning of each program, each participant will receive a manual complete with all course materials, case studies, and supplemental readings. The manual will also serve as a useful reference after the participants return to their country.

Certification
Each participant will receive a certificate of achievement upon satisfactory completion of the workshop.

Professional, Cultural and Social Activities
In addition to the workshop, participants will be able to take advantage of the many professional and cultural opportunities found in Washington, D.C. Participants can pursue professional development activities such as consultations with officials at the many international organizations (including the World Bank/IFC, the Inter-American Development Bank, and the International Monetary Fund), U.S. government agencies, private corporations, industry associations, and academic institutions located in downtown Washington, D.C. Time is also made available for those participants who wish to utilize CFED's university placement assistance services.

In order to facilitate cultural and social interaction among participants and faculty, CFED training workshops include several receptions, field trips and tours, a closing banquet, and other activities which allow participants and faculty the opportunity to exchange ideas and information in an informal and relaxed environment.

Application Procedures
Each participant should complete the enclosed application form and send it via airmail or **facsimile** to the below address. Applications will also be accepted by telex, facsimile or telephone. Early registration is advised as attendance is limited. Please send all inquires to:

Training Director
Center for Financial Engineering in Development
1255 23rd Street, N.W.
Suite 870
Washington, D.C. 20037
Telephone: (202) 728-2983 Telefax: (202) 728-1865
Telex: 3737669 CFED

CFED
Center for Financial Engineering in Development
Washington, D.C.

presents the seventh program

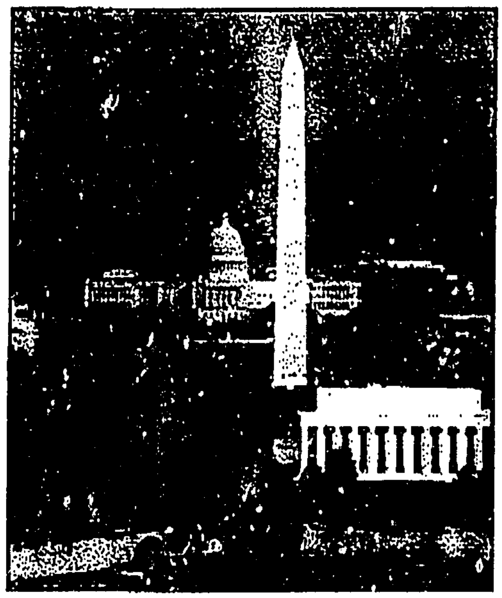
in the

Competitive Financial Institutions

Workshop Series

on

Restructuring Banking Institutions: Techniques for Managing Successful Turnarounds©



~~December 7-18, 1992~~
~~Washington~~, D.C.

New date:
Sept. 13-24, 1993

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RESTRUCTURING BANKING INSTITUTIONS: TECHNIQUES FOR MANAGING SUCCESSFUL TURNAROUNDS

Around the world, in developing and developed countries alike, financial institutions are in a state of crises. Not since the 1930's have so many financial institutions required immediate action to restore their health and solvency. These complex problems are particularly severe in developing countries where a combination of international and domestic factors are forcing governments to directly or indirectly intervene to assist troubled banks. In many cases, delays in initiating well designed restructuring programs have exacerbated these already serious problems.

Weakened by high levels of non-performing loans and inadequate lending and management practices, many private and state-owned banks are unable to provide the critical services envisioned for them. These micro-economic problems are worsened by unfavorable macroeconomic developments and external shocks which limit the capacity of financial institutions in developing countries to extend credit in an effective manner to potentially productive borrowers.

In order to overcome the difficulties facing distressed financial institutions, a variety of restructuring strategies and techniques must be considered. Successful restructuring and "turnaround" efforts require the application of several managerial, financial, and regulatory instruments that are complementary and based on the proven lessons of success and failure in many economic environments. Most important to bear in mind, the successful restructuring of financial institutions contributes not only to the strengthening of individual institutions alone but also to the operation of and confidence in financial systems as a whole.

Objectives of the Workshop

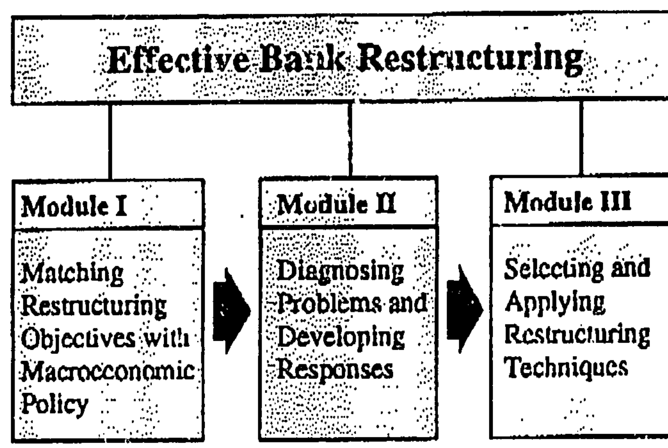
The workshop is intended to provide participants with important tools to design, analyze, manage, and review, comprehensive restructuring programs for private and state-owned financial institutions. The workshop is also intended to offer participants the opportunity to develop and share expertise in contemporary bank restructuring techniques with faculty and colleagues from countries that face similar and relevant challenges. Concurrently, participants will be able to take advantage of valuable personal and professional development opportunities inside and outside of the workshop based on the experience of completed and proposed bank restructuring efforts.

Who Should Participate

The workshop is designed for middle and senior level officials and managers from both the public and private sector. Individuals involved in the planning, implementation, and management of financial institution restructuring or those responsible for financial sector reform efforts are ideal candidates for the program. Officials or executives responsible for or interested in the full and partial privatization of financial institutions will also find the workshop beneficial. Teams of participants from individual countries are encouraged to attend given the fact that the workshop modules involve a number of case studies, group exercises, and negotiations where interdisciplinary skills are emphasized and encouraged.

A Synergistic Approach: Workshop Methodology

The workshop utilizes an intensive "module" format which reflects the appropriate conceptual and technical phases of bank restructuring efforts. Each module features the use of seminars, group exercises, case analyses, and negotiations based on actual financial institution restructuring operations. The "module" method allows participants to develop an in depth understanding of bank restructuring strategies and techniques in the most realistic, comprehensive, and interactive manner.



Module I: Determining Macroeconomic Policies that Complement Bank Restructuring Objectives

Financial System and Institution Crises: Framework for Restructuring

- Setting Bank Restructuring Objectives
- Understanding the Implications of the "Social Contract"
- Determining the Role of Government in Restoring System Confidence
- Relationship between Bank Restructuring and Economic Development

Recent Lessons of Worldwide Bank Failures

- US Savings and Loan Crisis
- European Secondary Banking Crisis
- Centrally Planned Economies: Crisis of Transition
- Low and Middle Income Countries: Restructuring in the 90's

Macroeconomic Policy and Restructuring: Cause and Effect
- Methods of Eliminating Market Distortions
- Setting Appropriate Price Incentives
- Exchange Rate Policy, Fiscal Deficits, and Bank Failures
- Impact of Fiscal Retrenchment on Fragile Banking Systems
- Techniques of Minimizing System Distress from Macro-Economic Shocks

Structural Adjustment and Bank Restructuring: Case Study

Module II: Diagnosis and Evaluation of Financial Institutions: Identifying Problems and Developing Responses

Methods of Diagnosis: Understanding the Nature of Distressed Financial Institutions
- Identifying Financial, Legal, Institutional, and Political Constraints to Bank Reform
- Measuring Effectiveness of Bank Accounting Standards: Loan Classifications and Interest Accrual
- Issues of Bank Financial Disclosure
- Role of Independent Auditing and Supervisory Bodies

Techniques of Measuring the True Extent of Losses
- Loan Portfolio Analysis Methodology
- Bank Asset Valuations: Current Cash Flow and Revenue Methods versus Expected Future Earnings
- Bank Asset Valuation in Inflationary Environments
- Implications of Loss Distribution on Depositors, Shareholders, Bank Employees, Management, and Supervisory Authorities

Improving Rules to Promote Competition, Efficiency, and Equity
- Design and Impact of Prudential Re-regulation
- Modernization of Banking Regulations: Responding to Changes in Technology and Innovation in Banking Services
- Methods of Preventing Abuses in the System
- Protecting Small Depositors through Deposit Insurance Schemes
- Rules Enforcement: The Key to Effective Regulation

Techniques and Implications of Broadening Bank Ownership
- Privatization of Financial Institutions
- Ownership Dispersion Regulations
- Consequences of Market Liberalization
- Promoting System "Competitiveness"

Determining Who Bears the Losses of Bank Failure
- Rationale and Implications for Central Banks, Borrowers, Shareholders, Depositors, Employees and Bankers

Module III: Analysis and Selection of Bank Restructuring Options and Techniques

Identifying the Form and Timing of Intervention
- Institutional Framework for Implementing Restructuring

Conventional Models of Bank Restructuring
- Lifeboat and Failure Management Schemes
- Techniques of Asset Acquisition by Healthy Financial Institutions
- Carving Out Assets: Pros and Cons
- Bank Hospital Schemes: Rehabilitation Techniques
- Guarantee Funds
- "Across the Board" Solutions: The Role of the Central Bank
- Creating "Phoenix" Institutions: Collective Turnarounds

Market-Based Solutions to Bank Restructuring
- Private-Public Sector Cooperation
- Measuring the Costs of Liquidation
- Role and Potential of Foreign Bank Participation

Management Initiatives in Bank Restructuring
- Techniques of Restructuring Management
- Reforming Management Organization in Financial Institutions
- Strengthening Supervisory Oversight of Bank Management

Calculating the Costs of Bank Restructuring
- Central Bank Lending to Assist Banks
- Determining the Costs to the Taxpayer
- Raising Funds to Finance Bank Restructuring
- Weighing the Costs of Mergers and Recapitalization
- Utilizing Technical Advisors in Bank Restructuring

Need and Potential for Restructuring Borrowers
- Assisting Ailing Enterprises to Strengthen Banks
- Role of Banks in Assisting in Indusrial Recovery
- Enterprise Rehabilitation Funds

Planning and Implementing a Bank Turnaround: Case Studies

Workshop Instructors

Workshop instructors are all experienced practitioners in the fields of banking, finance, regulation, economics, strategic management, and corporate restructuring. The interdisciplinary nature of effective bank restructuring requires a diverse pool of expertise representing several technical disciplines. Typical instructors for this workshop include:

Marta Oyhenart	Director, Capital Markets Center for Financial Engineering in Development Washington, D.C.
Bruno Richter	Managing Partner Manhattan Atlantic International New York, New York
José D. Epstein	Senior Advisor, CFED Executive Director, Development Banking Program The American University Washington, D.C.
Albert Mizelle	Bank Examiner Federal Deposit Insurance Corp. Washingon, D.C.
Dennis Bennett	Asset/Liability Specialist Bennett Management Service Phoenix, Arizona

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Center for Financial Engineering in Development

The Center for Financial Engineering in Development was established to assist developing countries and emerging market economies in strengthening financial systems and institutions, encourage private capital flows through the establishment or expansion of capital markets, and to promote alternative strategies to manage and finance the development process.

CFED has established itself by providing specialized technical assistance to corporations, governments, and bi- and multilateral organizations in an interdisciplinary and collaborative fashion. The concept of "financial engineering in development" represents an integrated approach to problem-solving using innovative policy and technical instruments for the benefit of the client. CFED technical assistance efforts, which include expert advisory services, applied research, and practical training, are staffed by committed professionals drawn from a consortium of experts in international finance, investment, and management.

Previous CFED training workshops have distinguished themselves by being highly technical in both scope and methodology. Unlike many other short-term training programs that focus on a survey of the topic, CFED's training objective is to expose participants to new skills that can be pragmatically utilized and enhance existing capabilities, thereby ensuring long-term benefits to participants and their institutions.

A Selected List of Participating Organizations in Previous CFED Workshops

Central Banks: Guatemala, Barbados, Nigeria, and Sri Lanka
Banco Nacional de Fomento Industrial, El Salvador
Development Finance Corporation, Belize
Bank of Botswana, National Development Bank, Botswana
Suez Canal Bank, National Investment Bank, Egypt
Industrial Development Bank of India
Ghana Commerical Bank, National Investment Bank, Ghana
Bank of Indonesia, Bank Dagang Negara, Indonesia
Ministry of Finance: Czechoslovakia, Indonesia, Malaysia, Tanzania, Philippines, Botswana, and India
Banca Serfin, S.N.C., Mexico
Nigeria Deposit Insurance Corporation
Pakistan Banking Council, Habib Bank, Allied Bank, Pakistan
Bank of Thailand
Abanka D.D. Ljubljana, Yugoslavia
Reserve Bank of Zimbabwe, Agricultural Finance Corp.

The American University

CFED is pleased to announce that this workshop is organized in cooperation with faculty members of the Department of Economics of the American University.

The Department of Economics provides rigorous training in theoretical, practical, and applied economics. The department's graduate programs prepare students for careers in government, business, banking, and academia. The department also offers specialized graduate degrees in development banking and finance through its Development Banking Program.

Since 1974 over 450 graduates have completed this unique and contemporary program to complement or enhance their careers in national development banks, local commercial banks, and private sector institutions in countries throughout Africa, Asia, Latin America, and Eastern Europe.

WORKSHOP ADMINISTRATION INFORMATION

Location of the Workshop and Participant Housing

The workshop will be held in Washington, D.C. at a convenient downtown hotel. The workshop hotel will also serve as housing for the participants. A special reduced rate has been negotiated with the hotel which is substantially less than normal Washington, D.C. hotel room rates. CFED requests that all participants stay at this location in order to maximize substantive and social interaction among participants, instructors, and CFED staff. Both single and double occupancy rooms are available. Upon confirmation of attendance, detailed hotel information will be sent to the participant.

Tuition Fee

The workshop tuition fee is $3,250 per participant. This fee includes all program modules, course materials, social activities, field trips, and university placement assistance. A $500.00 deposit for each participant is required for a confirmed reservation in the program. The balance of the tuition fee is due on the first day of the workshop with payment in U.S. dollar check or internationally recognized travelers checks. Wire transfer of fee is also available.

Housing, meals, local transportation, and incidental expenses are not included in the tuition fee. Travel and transfer expenses are also not included in the tuition fee.

Funding Sources

Participants may be funded by their sponsoring agency or by organizations that provide funding (including tuition, per diem, and travel) for short-term training programs of this nature. Organizations that can offer such financial assistance to both public and private sector officials include:

AMIDEAST
African Development Bank
The Asia Foundation
Asian Development Bank
European Bank for Reconstruction and Development
Ford Foundation
Inter-American Development Bank
United Nations Department of Technical Cooperation for Development
United Nations Development Programme
United Nations Industrial Development Organization
United States Agency for International Development
The World Bank (IBRD/IDA)

Participants seeking financial assistance for the workshop should contact the *local* resident representatives of these organizations for further information. **Those participants who require additional assistance in identifying appropriate funding sources are encouraged to contact CFED.**

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CFED 1993 Workshop Schedule

Capitalizing on Risks and Opportunities in Emerging Markets: Strategies and Techniques for Issuers and Investors
April 12 - 23, 1993.

Reestructuracion de Bancos: Tecnicas Para Rehabilitarlos Eficazmente
April 26 - May 7, 1993

Private Participation in Power Development: Market-Based Approaches to Project Analysis and Finance
May 10 - 21, 1993

Project Appraisal and Analysis: Techniques for Realizing Financially Viable Projects
May 10 - 21, 1993

Valuation Strategies and Techniques: Critical Factors for Successful Privatization Transactions
June 7 - 18, 1993

Municipal Services and Environmental Infrastructure: Techniques and Opportunities for Successful Public/Private Partnerships
July 12 - 23, 1993

Estrategias y Tecnicas de Valuacion: Elementos Criticos en Transacciones de Privatizacion
July 12 - 23, 1993

Restructuring Enterprises: Strategies and Techniques to Respond to Market-Based Competition
August 9 - 20, 1993

Analisis y Negociacion de Proyectos COT y COP: Estrategias y Alternativas para Desarrollar la Mejor Infraestructura de Servicios Publicos
August 9 - 20, 1993

Restructuring Banking Institutions: Strategies for Diagnosing Problems and Implementing Successful Reforms
September 13 - 24, 1993

Micro-Lending Programs for Financial Institutions: Strategies for Increasing the Client Base
October 18 - 29, 1993

Reestructuracion de Empresas Industriales: Estrategias Para Competir en el Mercado Libre
October 18 - 29, 1993

Analysis and Negotiation of BOO and BOT: Alternative Strategies for Infrastructure Development
November 8 - 19, 1993

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APPENDIX I

Description, Course Outline and Table of Contents

for the "Fundamentals of Modern Bank Supervision" and

"Credit Analysis for Bank Supervisors" courses

designed by Mr. Robert Porter.

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FUNDAMENTALS OF MODERN BANK SUPERVISION

TABLE OF CONTENTS FOR COURSE MATERIAL (cont'd)

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FUNDAMENTALS OF MODERN BANK SUPERVISION

TABLE OF CONTENTS FOR COURSE MATERIAL

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ANNEX

DESCRIPTION AND PROPOSED COURSE OUTLINE

THE FUNDAMENTALS OF MODERN PRUDENTIAL BANK SUPERVISION

TARGET PARTICIPANT:	Entry level and intermediate staff member of Bank Supervision Department, with senior staff members receiving updated and refresher material
PREREQUISITES:	University degree preferred, with basic knowledge of accounting principles
CLASS SIZE:	Ideally 20 to 25, with maximum of 30
TIMING:	First quarter of 1992, with specific date to be determined
COURSE LENGTH:	2 weeks of full time classes (9 to 5) with 60 hours of total class time, which excludes lunch and breaks (option of 4 week course of half days is possible)
DISTRIBUTION OF TIME:	Approximately 45 hours of lecture and class discussion, plus 10 hours for two case studies, plus 5 hours for quizzes and the final examination (in addition, some 10 to 15 hours of supplementary reading outside of class)
TEACHING METHOD:	Overhead projector and transparencies, all of which are duplicated in ring binder notebook for each participant
PREPARATION TIME:	Approximately 6 to 8 weeks from mid November until early January
ANTICIPATED COSTS:	Overhead projector, production of the transparencies, mass photocopying for 25-30 notebooks, shipping of all materials from the States to the BOU

A day by day course outline follows.

(2)

COURSE OUTLINE

FUNDAMENTALS OF MODERN BANK SUPERVISION

Assumptions: Each class day begins at 9AM with lunch break from 1PM to 2PM and class ends at 5PM. Session times:

Session 1 - 9:00 to 10:15
Session 2 - 10:30 to 11:45
Session 3 - 12:00 to 1:00
Session 4 - 2:00 to 3:15
Session 5 - 3:45 to 5:00
Total of 6 class hours per day

DAY 1

Session 1: Course introduction (covers: purposes of bank supervision; meaning of prudential bank supervision as compared to other forms; examples of how bank supervision is structured and practiced in USA, UK, and other models; international cooperation and groups in bank supervision; and role of bank supervision in financial sector reform programs)

Session 2: Organization of effective bank supervision (covers: various types of supervisory authorities including central banks and separate agencies; structure of a bank supervision department within a central bank; reporting lines to Governor, Deputy Governor and Board, role of Minister of Finance)

Session 3: Introduction to the legal framework (covers the statutory authority through law, regulations, and policy statements in areas of licensing, ongoing supervision, enforcement powers, and seizure)

Session 4: Legal framework in Uganda today (covers: the 1969 Banking Act and applicable portions of the BOU Act to bank supervision; powers of the Minister and the BOU, as well as shortcomings in the present framework)

Session 5: Supervisory aspects in modern banking acts (covers examples of recent acts which set a comprehensive framework for the supervisory authority)

DAY 2

Session 1: Prudential regulation - Part I (covers: statute and regulation for licensing of new banks and credit institutions as well as ensuring that

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unlicensed entities are not doing banking business; sections in law and regulation for capital adequacy, including new methodology of risk based capital calculations)

Session 2: Prudential regulation - Part II (covers: statute and regulation limiting credit concentration, i.e. large credit exposures to a single borrower or related group of borrowers; statute and regulations for credit extended to insiders)

Session 3: Prudential regulation - Part III (covers: the need for a regulation concerning treatment of asset quality aspects, including a definition of non-performing assets, income recognition (non-accrual) and mandating adequate provisions for bad debts; treatment of liquidity for prudential purposes through liquid asset requirements and regulation)

Session 4: What makes banks fail (covers: classic definitions of bank failures including illiquidity, i.e. the failure to meet obligations and being declared insolvent; explains how insolvent banks can remain in operation and the consequences of allowing this)

Session 5: Supervisory responsibilities with problem banks (covers: need for enforcement powers and using these in a prompt and effective manner; seizure of banks when necessary and steps toward merger, closure, reorganization, and potential liquidation in order to protect depositors' interests)

DAY 3

Session 1: Introduction to financial analysis (covers the origins and widespread adoption of the CAMEL rating system to evaluate banks and includes the elements best suited to off-site monitoring & on-site exams)

Session 2: Bank capital and how to evaluate it (covers: the purposes of capital and its role as a cushion to protect depositors; past methods of how to determine capital adequacy; the modern approach of risk based capital using the 1988 Basle Capital Convergence agreement)

Session 3: Determination of asset quality (covers: the close relationship of asset quality to bank capital and overall soundness; the usage of classifications - substandard, doubtful, and loss; their use with regard to determining adequate provisions)

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Session 4: <u>Bank profitability analysis</u> (covers: methodology for determining true overall profitability; analysis by breakdown of income statement by net interest income, non-interest income, and non-interest expense, etc.; how profits can be inflated or fictitious due to lack of proper non-accrual policies and inadequate provisions)

Session 5: <u>Measuring and managing bank liquidity</u> (covers: basic liquidity ratios and why no single ratio is sufficient to determine liquidity; core & volatile liabilities; backup sources of liquidity and liquidity management for the short and longer term)

DAY 4

Session 1: <u>Quiz and discussion of material covered thus far</u>

Session 2: <u>Accounting standards for commercial banks</u> (covers: the elements of proper accounts standards for banks; how accounting standards are established and their relation to prudential guidelines; various accounting standards to be considered in Uganda)

Session 3: <u>Role of the external auditor</u> (covers: auditors' responsibilities as compared to supervisors and how cooperation is essential; dialogue between auditors and supervisors with regard to problem bank; use of management letters from auditors by supervisors)

Session 4: <u>Case study</u> (class divided up into teams all with task of "briefing Governor and Board" on financial conditions of hypothetical problem bank based on data and information provided)

Session 5: <u>Case study (continued)</u>

DAY 5

Session 1: <u>Review of first week material including discussion</u>

Session 2: <u>Review of first week (continued)</u>

Session 3: <u>Preview of material covered in second week</u>

Session 4: <u>Presentation of case studies</u>

Session 5: <u>Presentation of case studies (continued)</u>

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DAY 6 - START OF SECOND WEEK

Session 1: Introduction to off-site monitoring (covers: the uses of off-site monitoring in effective bank supervision; aspects that can be effectively monitored, including capital, profits, liquidity, credit concentrations, credit to insiders, trend of non-performing advances and provisions; areas that off-site cannot do as well as on-site exams)

Session 2: Ratio analysis for off-site monitoring (covers the key ratios accepted internationally for off-site analysis of banks)

Session 3: Peer group and trend analysis (covers the use of peer groups of banks for comparative analysis and monitoring trends of key ratios to determine improvement or deterioration)

Session 4: Analysis reports from off-site monitoring (covers what should be included in a report to the Governor and/or Board with regard to a bank's financial condition based on off-site monitoring)

Session 5: Annual review on commercial banking performance (covers the purpose of an annual review to the Governor and Board on commercial bank performance in areas of profitability, growth & market share, capital adequacy, and other matters of concern, as well as how to design such annual reviews)

DAY 7

Session 1: The objectives of on-site examinations (covers the main objectives of an on-site exam including: compliance with law and regulations; accuracy of data submitted; review of management practices; and determination of overall financial condition)

Session 2: Review for reporting accuracy during exams (covers the need to ensure dat. .ceived by the BOU is accurate and methods of checking such data for accuracy during the exam)

Session 3: Review for compliance to laws and regulations (covers the sections of existing laws in Uganda that should be reviewed for compliance in an exam as well as what areas would be reviewed in an improved legal framework)

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Session 4: Review of management practices (covers key policies to review, importance of reporting channels, quality of MIS, exception reports, and role internal auditor)

Session 5: Introduction to asset quality review (covers key elements of loan examination with steps from initial data request to summary of exam findings)

DAY 8

Session 1: Classification of problem assets (covers: definitions of substandard, doubtful, and loss; performance criteria for problem loans; exam analysis of credits and discussions with bank management; and how classified loans are written-up in reports)

Session 2: Rating of asset quality and adequacy of provisions (covers: using classification totals to determine a rating for the bank's asset quality; methods to determine the adequacy of the provision for loan losses and potential additional amounts needed)

Session 3: Preparation of the report of examination (covers: formats used in exam reports; presentation of findings and supporting data; examiner's comments and conclusions)

Session 4: Case study (class again divided into teams with assignment of preparing for management discussion to conclude examination based on hypothetical exam data provided)

Session 5: Case study (continued)

DAY 9

Session 1: Quiz on second week material and discussion

Session 2: Dealing with problem banks (covers: follow-up correspondence and dialogue after problems have been detected; use of enforcement powers; and situations when seizure should be recommended)

Session 3: Dealing with problem banks (continued)

Session 4: Presentation of case study

Session 5: Course review

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DAY 10

Session 1: Final examination

Session 2: Final examination (continued)

Session 3: Final examination (continued)

Session 4: Review and discussion of final examination

Session 5: Class discussion on effectiveness of course

NOTE: Actual course differed from this outline in some minor ways. Course was given over 16 sessions (days) in total, each day ran from 9 AM to 1 PM. Course material consisted of a 3 volume set of handbooks, with some 550 pages of material. To the above material was added a Federal Reserve videotape of "Accounting for Bank Supervisors" and a workbook to go along with the video. All lectures were given via overhead projector & transparencies.

After conclusion of lecture material, class was split into 4 groups for a detailed case study, prepared on Lotus, on an imaginary African banking system, which included problem banks needing analysis. Each class was assigned to do 1 bank based on data provided both from off-site information and an on-site exam. Each group then presented its findings, conclusions, and recommendations to the "Board of the Central Bank" with questions following.

The final exam consisted of 100 questions, which were a combination of true/false, multiple, choice, and fill in the blank.

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BANK OF UGANDA

TRAINING COURSE FOR STAFF OF BANKS SUPERVISION DEPARTMENT

"CREDIT ANALYSIS FOR BANK SUPERVISION"

MAY 4TH TO MAY 15TH, 1992

COURSE MATERIAL FOR PARTICIPANTS

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CREDIT ANALYSIS FOR BANK SUPERVISION

TABLE OF CONTENTS FOR COURSE MATERIAL

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1. INTRODUCTION TO PARTICIPANTS

This course, titled "Credit Analysis for Bank Supervisors" is the second of three courses scheduled for the Banks Supervision Dept. (BSD) of the Bank of Uganda and selected participants from other departments. The initial course on "Fundamentals of Modern Bank Supervision" covered a broad base on bank supervision principles and techniques. This course will focus on a specific skill that is essential for proper analysis, and thus overall supervision, of banks. The third course, scheduled for September, is also on a specialized area, that being liquidity and funds management in banks.

The material for this course draws heavily from Federal Reserve bank supervision training courses. The Federal Reserve has kindly made such material available without charge or constraint. One session draws upon a very useful suggested guideline issued by the Financial Policy and Systems Division of the World Bank. Every effort has been made to have the material as applicable as possible for bank supervision in Uganda, given the context of the financial sector here.

This course is divided into 3 parts. Part I deals with practices which should be in place within banks to enable sound lending to be made and properly administered. This begins with a well thought out written lending policy, for which two examples are provided. Other important elements covered are structure, documentation, character & capacity of borrowers, and loan administration. While most of this material was written with American banking in mind, the majority is applicable to developing countries, though the class is urged to point out differing circumstances in Uganda during discussions.

Part II covers the technical steps for examining credit extensions as part of on-site exams. The first session in Part II is a repeat of a session given in the first course but in more detail, as this sets the framework for the loan examination. The second session introduces line sheets as a tool to standardize review of credits. The following sessions cover review of bank credit files, valuation of security, and financial statement analysis. The last session is an important one on the World Bank Guidelines for Asset Quality in bank supervision for developing countries. It should be read closely by all participants and its concepts should be applicable to many credit issues arising in Ugandan banks.

The third & final part covers what is done after credit extensions are reviewed in an exam. It first covers the determination of classifications into substandard, doubtful, and loss categories. The next session is a practical exercise on loan analysis and classification in which the class will be split into teams. It is followed by overall asset quality analysis, and the course ends with a session on preparation of the asset quality aspects of the examination report.

1. INTRODUCTION TO PARTICIPANTS (cont'd)

With the above in mind, the primary objective of the course is to improve the skill level of BSD staff members in analysis of credit (asset quality) in banks and other types of credit institutions. Especially in developing countries, poor asset quality is far and away the most common reason why banks fall into problem status and even fail. The ability to detect asset quality problems at an early stage, and thus initiate prompt corrective action, is a major aspect of effective bank supervision. It is hoped this course makes a small contribution towards the BOU capacity to carry out its supervisory role in Uganda.

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APPENDIX J

Cost Estimates for Selected Hotels

Identified by the Bank of Tanzania Training Institute.

COST ESTIMATES FOR SOME SELECTED HOTELS (TSHS)

HOTELS		NOVOTEL MT MERU HOTEL	NEW ARUSHA HOTEL	HOTEL SEVENTY SEVEN	BAHARI BEACH HOTEL	KUNDUCHI BEACH HOTEL
ACCOMMODATION	SINGLE	15,000/=	6,200/=	5,775/=	12,000/=	6,615/=
	DOUBLE	20,000/=	8,200/=	7,350/=	(All rooms same charge)	7,140/=
MEALS	BREAKFAST	Included in room	Included in room	300/=	300/=	345/=
	LUNCH	5,000/=	4,000/=	3,000/=	3,500/=	3,500/=
	DINNER	5,000/=	4,000/=	3,000/=	3,500/=	3,500/=
CONFERENCE ROOM		20,000/=	15,000/=	20,000/=	20,000/=	20,000/=

PLEASE NOTE:

(1) Quotations for Non-residents are different from those of Residents in the case of Bahari Beach and Kunduchi Beach Hotels where single room rate is USD 90 and double room rate is USD 110 for Bahari Beach Hotel while for Kunduchi Beach Hotel, the rates are USD 36 and USD 45 for single and double rooms respectively.

(2) All room rates in Mt. Meru are quoted in US Dollars possibly to protect themselves against possible devaluation. The room rates for Residents are USD 42 and USD 56 for single and double respectively.

- Non-Residents are charged USD 110 and USD 138 for single and double rooms respectively.
- The room charges include Breakfast.

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(3) Novotel mount Meru Hotel, New Arusha Hotel and Hotel Seventy Seven all located in Arusha have good conference rooms that can accommodate large groups. Bahari and Kunduchi Beach Hotels do not have good conference rooms.

(4) The current official rate of one US Dollar is Tshs. 356.

(5) The charges for the other Hotels i.e. Morogoro Hotel, Mikumi Wildlife Lodge , Hotel Karibu, Arusha International Conference Center (AICC), ESAMI will be sent to you as soon as possible after make personal visits to check the facilities.

(6) Air travel to Arusha is Tshs. 25,000/= (One way). The charges for hiring Minibus is definitely much smaller . Actual amount will be sent to you later.

(7) All the above costs are tentative subject to confirmation by individual hotels as they change without prior notice.

K.J. JURAMBO

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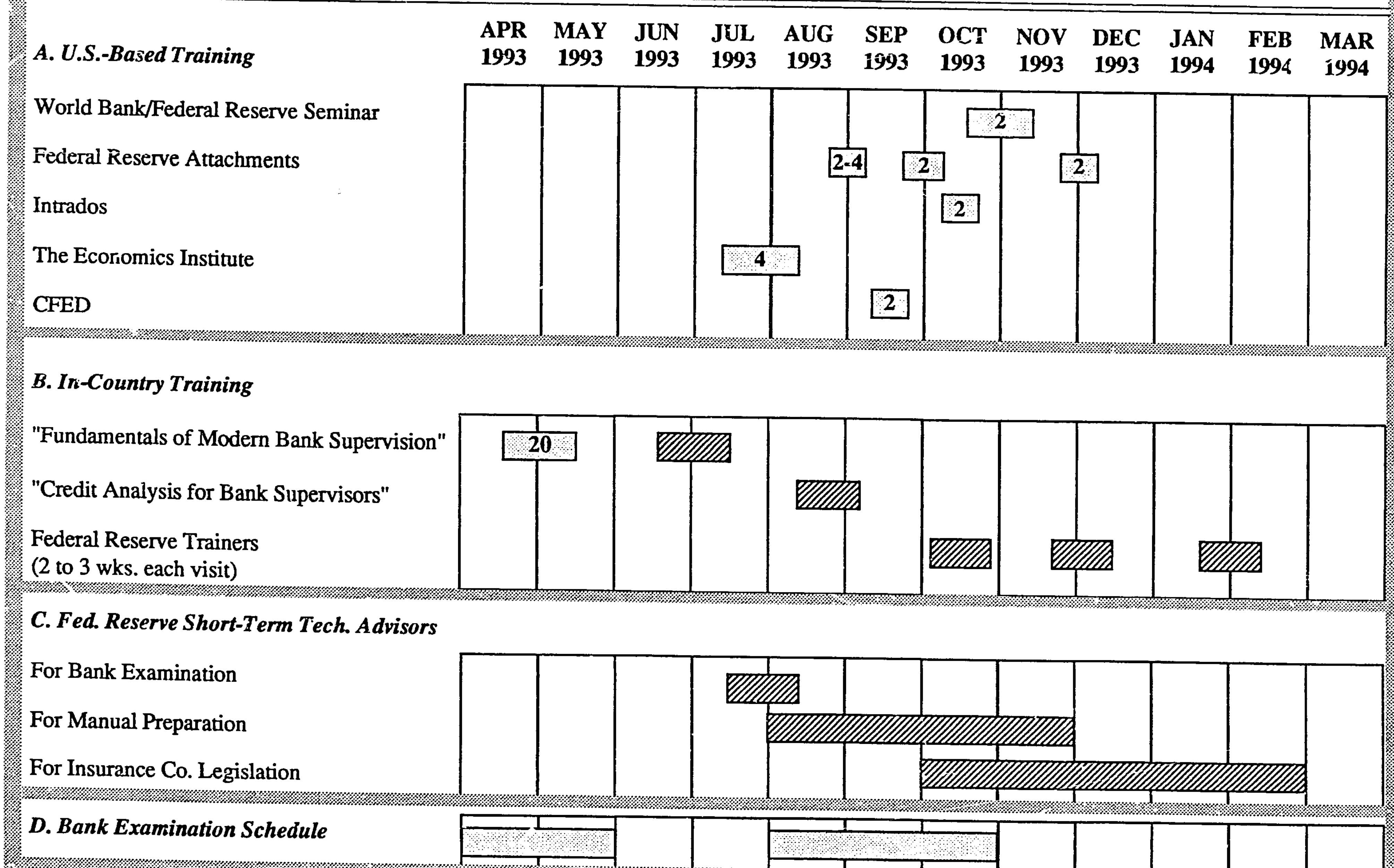
APPENDIX K

Proposed BOTDBS Training and Examination Schedule.

TIME LINE FOR IMPLEMENTATION OF BOT BANK SUPERVISION TRAINING PROGRAM



[#] *Indicates number of participants*

Specific time period to be determined

APPENDIX L

List of Persons Interviewed.

Dennis M. Smyth

LIST OF PERSONS INTERVIEWED - MARCH 1993

USAID/Tanzania

Mr. Patrick Fleuret
Project Development Officer

Ms. Mwanasera J. Mwinyi
Development Assistant

Mr. John Hepp
Controller

Mr. Kristos Minja
Training Officer

Bank of Tanzania

Mr. G.S. Mgonja
Director
Directorate of Economic Research and Policy
(responsible for coordinating any donor assistance involving BOT)

Mr. Ally Mwinyimvua
Director
Directorate of Bank Supervision

Mr. Andres Rustia
Advisor to Directorate of Bank Supervision

Mr. L. H. Mkila
Manager of Bank Supervision Department
Directorate of Bank Supervision

Mr. Herman Kessy
Manager of Non-Bank Financial Institution (NFI) Supervision Dept.
Directorate of Bank Supervision

Mr. K. Jurango
Training Coordinator
BOT Training Institute

Mr. A.J. Liyumba
Director of Studies
BOT Training Institute

Mr. Simon E. Jengo
Manager
Manpower Development Department
Directorate of Manpower Development & Administration

Ms. Susan Mahembe
Manager for Training
Manpower Development Department
Directorate of Manpower Development & Administration

Donor Community

Mr. Louis Hobeika
World Bank
(current Task Manager for Financial Sector Adjustment Credit)

Mr. Simon Bell
World Bank
(former Task Manager for Financial Sector Adjustment Credit)

Mr. Elwaleed Taha
Resident Representative in Tanzania
International Monetary Fund

Dr. Ulrich Camen
Graduate Institute of International Studies - Geneva
Consultant to Swiss Development Corp. for BOT training program

Others

Mr. Pascal L. Kamuzora
Director General
Tanzania Institute of Bankers

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