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FINAL REPORT
USAID/CENTRAL BANK OF THE GAMBIA PROJECT
IMPLEMENTATION OF SUPERVISORY METHODOLOGIES
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I. EXECUTIVE SUMMARY AND FURTHER ACTIONS RECOMMENDED

A. Introduction

This report focuses on technical assistance provided to the Banking Supervision Department (BSD) of the Central Bank of The Gambia (CBG) in implementing the supervisory methodologies which were recently developed. The tasks carried out in this engagement were performed both off-site and on-site in Banjul, between February 2 and March 31, 1994. They represent a continuation of the project to improve banking supervision and are a part of the USAID Financial Restructuring Program (FSRP) for The Gambia.

B. Implementation of Off-site and On-site Supervisory Methodologies

This assistance was provided in conjunction with Phase IV of the action plan developed for BSD in the Price Waterhouse study dated January 26, 1993. Phase IV consisted of the following:

- Finalizing of the BSD examination manual
- Developing and implementing new regulatory reporting requirements
- Developing new procedures to perform off-site analyses of data received from new regulatory reports
- Adopting a standardized examination report format, and
- Conducting an on-site examination using the new examination procedures with the assistance of an experienced on-site examination consultant with the end result being documented by a new Examination Report based on the recommended format.

C. Scope of Project Activities

Although considerable development had been accomplished in both the area of off-site surveillance and the examination manual, they were not completed to the stage envisioned in the terms of reference for this project. Proposed methodologies were very theoretical and were not well-integrated. They also did not reflect the significant changes in banking supervision which have occurred in the last few years.

Working with the IMF technical advisor and BSD management, the consultant recommended that a supervisory approach similar to that currently used by banking regulators in the U.S. be developed and implemented. This concept known as " ongoing supervision", integrates both on-site and off-site supervisory activities, and the extent of supervision provided to each bank is based upon the risks perceived in the institution.

This supervisory approach requires the development of supervisory profiles for all licensed financial institutions which are maintained on an ongoing basis. The supervisory profiles contain information concerning the background, condition and risks within each bank, as well as the off-site and on-site activities proposed to supervise the institution. These profiles drive the development of a supervisory plan which identifies all supervisory activities planned and matches these against resource availability and other resource requirements. As supervisory activities occur, the bank's supervisory profile is revised, and any required changes in the supervisory strategy are recommended. The impact of such changes on the overall supervisory plan is under constant review to ensure the most effective use of resources.

The concept was approved and provided the basis for the development of both on-site and off-site supervisory methodologies.

D. Project Accomplishments

The necessary off-site and on-site methodologies to support the supervisory approach were developed and implemented. Concepts of off-site analyses already developed were expanded and implemented by the development of sophisticated computer spreadsheets to capture and manipulate data for analysis. Both off-site and on-site methodologies were incorporated into a manual referred to as the "Handbook for Banking Supervision". A rough draft of the handbook was left at the Central Bank. A final draft version accompanies this report.

All development and implementation of supervisory methodologies was done through BSD staff to ensure a full understanding of the concepts being developed and implemented. Training was provided by the consultant to all BSD staff via classroom sessions, one-on-one training, daily briefings, and assignment of tasks. Implementation of the new methodologies have occurred to the following extent:

- Bank supervisory profiles have been developed to the extent possible. The supervisory profiles can not be finalized until reliable data has been received from each bank and analyzed.

- A preliminary supervisory plan detailing all proposed supervisory activities and other resource requirements for the BSD was developed for 1994. This was developed by the consultant and the manager of BSD and presented to the General Manager and the Governor of the Central Bank.

- The spreadsheets for off-site analyses were developed and the first round of quarterly bank performance analyses had been performed. However, it should be noted that the information provided by the banks is as yet still highly unreliable and does not provide an acceptable basis for analysis.

- An on-site examination was planned and performed and the examination report is in draft form. The on-site examination focused on the area of highest perceived risk in banking in The Gambia, credit-risk. The consultant worked with the on-site examiners on a daily basis in planning and performing the examination. However actual on-site participation by the consultant was limited to the final exit review.

E. Further Action Recommended

This project is the final phase in the action plan developed in the Price Waterhouse study. While the Central Bank has devoted much time and resources already to bank supervision, there still remains a considerable amount to do to fully implement an effective supervisory process. The following is recommended to be accomplished over the remainder of 1994:

- Although there are only four licensed financial institutions in The Gambia today, several of these institutions have serious problems and BSD is having difficulty in effectively supervising these banks. This is, in part, due to the fact that BSD still lacks any processes designed specifically to supervise "problem" institutions. U.S. Banking regulators use several levels of administrative and enforcement actions to supervise "problem" institutions, ranging from Memoranda of Understanding (MOUs) to Cease and Desist (C&D) and Civil Money Penalties (CMPs). It is recommended that BSD develop and implement a process to supervise "problem" institutions.

- BSD has developed a mission statement, an organizational structure, and position descriptions. It is recommended that the organizational structure be reconsidered to better match the new supervisory methodologies developed. In addition, certain basic administrative processes still need to be developed in order to actually implement the supervisory approach. For example, a new filing system is required for the department. Further work is required to assign specific duties and responsibilities and develop an appropriate work-flow. Examiners have to learn how to set goals and meet time frames for completion of tasks. As part of Phase II of the action plan developed in the Price Waterhouse study (relating to Human Resources and Training Requirements), it was recommended that BSD management be exposed to further training that focuses on an overview of the supervisory environment, including workplace functions, leadership, goal-setting, decision-making and time management. Such training has not been accomplished to date. Such training continues to be a very high priority.

- BSD needs to review and finalize the draft of the Handbook for Banking Supervision

- BSD needs to finalize usage of the new "examination report" format. Recommendations have been made relative to the best usage of such a format, but a final decision has not yet been made. This should be done as soon as possible to ensure consistency in examination reports.

- BSD has recently introduced new reporting requirements for all licensed financial institutions. The formats for reporting need further revision and refinement to ensure accuracy and timeliness of submission. It is also recommended that training be provided to the banks and that report formats be made available on computer diskette for ease of preparation.

- While new on-site and off-site supervisory procedures have been developed and the quality of staffing has been increased considerably, extensive staff training is still required in order to ensure effective implementation of both off-site and on-site supervisory methodologies. There is no formal training presently provided in-house at this time, and courses outside of the country are costly and not always relevant to banking activity in The Gambia. It is recommended that BSD develop training courses based upon the new Handbook for Banking Supervision to ensure effective implementation of the new supervisory methodologies..

II. DEVELOPMENT OF BANKING SUPERVISION BY THE CENTRAL BANK

A. Legislative Revisions

Prior to 1992, commercial banks and other credit institutions were regulated to varying degrees under the following laws:

Central Bank of The Gambia Act 1971
Financial Institutions Act, 1974
Insurance Act, 1974
Savings Bank Act, 1964, and
Moneylenders Act, 1974

In 1992, both the Central Bank of The Gambia Act and the Financial Institutions Act were revised to define more clearly and broadly the roles and powers of the Central Bank. These Acts provide an adequate framework for the Central Bank to carry out prudential bank supervision.

1. The Financial Institutions Act, 1992

The Financial Institutions Act, 1992, gives the Central Bank the power to issue licenses to and impose restrictions on financial institutions. The Central Bank must approve branches, mergers, acquisitions, and sales of assets. If a financial institution breaches any provision of the Act, the Central Bank has the power to revoke the license.

The Act gives the Central Bank the right to set capital adequacy standards. The Act also gives the Central Bank authority to establish statutory reserve requirements.

The Act gives the Central Bank the power to define the composition and minimum level of liquid assets.

The Act prohibits or limits large credit exposures to single or related borrowers, loans secured by its own shares; unsecured loans to directors, officers and employees and their related interests; non-banking activities; and the acquisition of assets unrelated to banking activities.

The Act requires that any change in controlling ownership of a licensed financial institution be approved by the Central Bank.

The Act establishes audit and financial reporting requirements, and gives the Central Bank the power to require further information and conduct examinations.

The Act gives the Central Bank broad powers if a financial institution is found to be unsound, including the requirement of corrective actions, the appointment of advisors and suspension of the license (with Minister of Finance concurrence).

The Act places certain requirements and restrictions on bank directors and gives the Central Bank the power to suspend any director or officer who fails to take all reasonable steps to ensure compliance with the Act.

The Act gives the Central Bank the authority to issue orders to banks to cease or refrain from unsound banking practices and can prohibit the granting of loans or the taking of deposits when unsound practices are detected. The Central Bank can seize a financial institution with the vote of four Central Bank Board members. Compulsory liquidation of a bank can be decreed by the Supreme Court upon petition by the Central Bank.

If convicted of non-compliance with certain portions of the law, the financial institution may be subject to fines. Also, if convicted, persons determined to be responsible for non-compliance may be subject to fines as well as possible terms of imprisonment.

2. The Central Bank of The Gambia Act, 1992

Although the Central Bank of The Gambia Act, 1992, addresses all of the activities of the Central Bank, Parts VIII and XI specifically relate to supervision of financial institutions.

The Act permits the Central Bank to provide advances to banks, although these generally will be short-term and well-secured.

The Act gives the Central Bank the power to establish reserve requirements against deposits and other similar liabilities.

The Act gives the Central Bank the power to establish interest rates for loans and deposits.

The Act gives the Central Bank the authority to grant licenses for foreign exchange dealings and may set the maximum amount that financial institutions hold in foreign currencies.

The Act gives the Central Bank the power to regulate dealers in government securities.

B. Prudential Regulations and Guidelines

The Financial Institutions Act, 1992, and The Central Bank of The Gambia Act, 1992, provided the Central Bank with the legislative basis for issuing regulations and guidelines establishing prudential standards. Several guidelines have recently been issued. Guideline 1 which deals with regulatory reporting requirements and potential penalties for non-compliance was still being drafted as of this report date.

Capital Adequacy Guidelines

The principal function of capital is to serve as a backstop for absorbing unexpected losses. Capital provides protection to depositors and creditors, and in the absence of deposit insurance, ultimately the Government. The perception of capital adequacy consequently influences public confidence in a financial institution, and adherence to effective capital adequacy policies is essential for maintaining public confidence in the system.

Guideline 2 requires that banks maintain a ***minimum capital adequacy ratio of 8%*** by December 31, 1994. The components of capital are divided into two categories:

Tier 1 (Primary Capital)

Tier 2 (Supplementary Capital)

The aggregate amount of Tier 2 capital may not exceed 50% of a financial institution's Tier 1 capital.

Statutory Reserve Requirements

The statutory reserve ranks as primary capital for purposes of measuring capital adequacy since it cannot be impaired or reduced, except with approval of the Central Bank for purposes of increasing or preventing impairment of paid-up or assigned capital.

Guideline 3 states that the amount of the Statutory Reserve should at no time be less than the amount of Paid-up or Assigned Capital. If, at any time, the amount of the Statutory Reserve should fall below Paid-up or Assigned Capital, then at the end of the financial year the institution must restore the Statutory Reserve to an amount equal to Paid-up or Assigned Capital before any transfers to head office are made or any dividends may be paid.

Any financial institution which has a reserve deficiency at year-end is not permitted to pay dividends or transfer profits to head office or elsewhere until the deficiency has been corrected..

The time frame for a newly licensed institution to build its statutory reserve balance to the minimum set for established institutions is determined by the Central Bank on a case-by-case basis.

Liquid Assets Standards

A financial institution is expected to maintain sufficient liquidity in its balance sheet so it can honour all commitments and meet maturing liabilities as they fall due, in particular in periods of any temporary disruption in its operations.

Guideline 4 sets a minimum liquid asset ratio requirement for licensed financial institutions in compliance with Section 14(1) of the Financial Institutions Act, 1992. The Central Bank has the option of establishing different ratios for different types of financial institutions, so long as the ratio is consistent for each financial institution within a given class.

The minimum liquid asset ratio is expressed as a percentage with eligible liquid assets being the numerator and liabilities in The Gambia being the denominator. Since 1980, banks have been required to maintain a minimum liquid asset ratio of 30%. Liquid assets and liabilities in The Gambia are defined in Guideline 4 in the Appendix section of this handbook.

Financial institutions which fail to provide required information for monitoring compliance or whose liquid asset ratio falls below 30% are subject to fines, as detailed in the Guideline.

In addition to these guidelines, the Central bank, acting under the powers granted in the Central Bank of The Gambia Act, 1992, requires that licensed financial institutions maintain amounts in the Central Bank equal to 24% of their demand deposits and 8% of their savings and time deposits.

Classification and Accounting Standards for Non-performing Credits

A realistic valuation of assets and prudent recognition of income and expense are critical factors for evaluating the financial condition and operating performance of financial institutions. Objective classification standards are accordingly required for recognition of non-performing credits on a timely basis. Similarly, uniform accounting standards are needed for timely provisioning and prudent income recognition on non-performing credits.

Guideline 5 states that loans and advances contractually past due 30 days on principal or interest, which are not in doubt as to payment, are referred to as ***non-current*** loans.

When such loans become past due 90 days, they are automatically classified as ***non-accrual*** loans. Non-accrual loans are defined as loans and advances on which interest is not being accrued due to the existence of reasonable doubt as to the ultimate collect ability of principal or interest.

Loans, where the terms of the credit have been modified to accommodate the weakened financial condition of the borrower, are classified as ***restructured***. A restructured credit may return to performing status when it has fully met the debt service requirements of the restructured credit agreement on a timely basis for a period of one year, so long as management determines that there is no reasonable doubt as to the ultimate collectability of the principal and interest according to the prevailing terms of the credit agreement.

Finally, ***non-performing*** loans are those loans which have been classified as either non-accrual or restructured. Accrual and capitalization of interest on non-performing credits is not permitted for financial reporting purposes. On restructured credits, interest income is recognized on a cash basis until it reverts to a performing status.

When a credit has been designated non-accrual, a ***specific loss provision*** is required in recognition of the deterioration in financial performance by the debtor. The amount of the specific loss provision should be sufficient to cover the estimated ultimate loss of principal, based on bank management's assessment of the financial condition of the creditor, and near-term prospects for realizing on any security held or third party guarantees.

Where credits are well secured with readily marketable securities or similar collateral, the bank's estimate of ultimate loss may initially be a negligible amount or no loss, in which case the initial specific provision can be a token amount. In such cases, however, avoiding a subsequent escalation in the provision will normally require prompt disposition of the security.

Asset classifications are used to identify the level of risk in each and every loan, advance, or other earning asset. While it is recognized that individual banks may have their own internal guidelines and criteria for asset classification, the Central Bank encourages banks to adopt classifications similar to those defined below.

Substandard credits are those credits which are inadequately protected by the current paying capacity and/or sound worth of the obligor. Assets so classified have a well-defined weakness or potential weaknesses that jeopardize liquidation of the debt. They are characterized by the distinct possibility that the bank will sustain some loss if the deficiencies are not corrected.

Doubtful credits exhibit all the weaknesses inherent in assets classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently available facts, conditions and collateral values highly questionable and improbable. The possibility of loss is high, but because of certain important and specific pending factors (i.e., liquidation process, capital injection, additional collateral) which may strengthen the credit, its classification as an estimated loss is being deferred until a more exact status can be determined.

Assets classified as ***loss*** are considered as uncollectible or of such little value their continuance as bankable assets is no longer warranted. This does not mean that the asset has no recovery value, but rather that it is no longer prudent or desirable to defer write-offs pending the outcome of foreclosure and collection proceedings.

The Central Bank seeks to foster conservative reserve adequacy standards for banks operating in The Gambia. It encourages banks to develop a well-considered and realistic approach in determining the Allowance. To assist bank examiners in assessing the adequacy of the Allowance for Loan Losses (reserve), certain benchmarks have been provided. These ***provisioning benchmarks*** are as follows:

- Substandard: Non-accrual credits in arrears more than 3 months and up to 6 months on interest or principal payments, except for any such credits already classified as "doubtful"" or "loss' based on the foregoing asset classification definitions. The benchmark used by examiners is a ***20%*** provision.

- Doubtful: Non-accrual credits that have been in arrears more than 6 months and less than 1 year are classified doubtful, except for those already classified "loss". The standard provision is ***50%*** on the outstanding balance.

- Loss: Non-accrual credits in arrears over 1 year are classified as loss and provisioned ***100%;*** if over 2 years in arrears, they should be written-off and removed from the books. In this regard, prompt write-offs are recommended.

- Restructured: Until restructured loans have been transferred to a performing status, a provision of ***5%*** is used against the balance of these loans.

In addition a ***1%*** provision against the remainder of the portfolio is used to provide for foreseen, but yet undetected, losses in the portfolio.

Bank management is not required to use the above benchmarks in provisioning. There may be instances where the amount of the Allowance would be far greater or much less than the ***benchmark provision*** might reflect. However, if at any time, the bank's Allowance is considerably less than the benchmark amount calculated by the examiners, then the burden of proof is on management to demonstrate why the Allowance should not be increased. If there is inadequate evidence to support the bank's rationale, the examiner may recommend that additional provisions be made.

Lending and Credit Concentration Limits

Bank management is expected to have written policies imposing prudential credit limits for control of bank exposures to single borrowers, related groups and geographical or economic sectors. Exposure limits on credit are generally expressed as a ratio of a bank's core capital. The ratios accordingly measure the extent to which the capital base is able to absorb losses arising from such credit exposures.

Guideline 6 states that a "single large credit risk" refers to the sum total exposure to a single customer and connected interest, where the exposure exceeds 15% of the bank's primary capital as defined for capital adequacy purposes. The ***statutory single large credit limit is 25% of primary capital*** as mandated by the Financial Institutions Act, 1992. Although the act does provide exceptions for secured credits, the Central Bank, for prudential bank supervision, will apply the credit limit against secured as well as unsecured credits.

The statutory single large credit limit is reinforced by an ***aggregate large credit limit*** to prevent undue concentration of exposure to large borrowers. Banks operating in The Gambia are expected to ensure that the aggregate of single large credits does not exceed ***50%*** of their total credit exposures.

Loans and advances to or instruments guaranteed by the government are exempted from the statutory single large credit limit and the aggregate large credit limit.

C. Regulatory reporting requirements

In late 1993, new supervisory reporting requirements were introduced by BSD. The new requirements greatly expand the amount of data which the banks submit to BSD. Banks are now required to complete the following reports:

Report	*Time Frames*	*Frequency*
Consolidated Statement of Assets and Liabilities (Balance Sheet)	Month-end Month-end Prior Yr	Monthly
Off-Balance Sheet Exposures	Same as above	Monthly
Profit & Loss Statement - interim	Current Qtr/Prior Yr Qtr Yr-to-date/Pr Yr-to-date	Quarterly
Profit & Loss Statement - annual	Current Yr/Prior Year	Annually
Interim Changes in Reserve Accounts and in Allowance for Credit Losses	Current quarter, past quarters in current period; prior year quarter	Quarterly
Statement of Liquid Assets	Current date	Bi-weekly
Supplement - Foreign Currency	Same as above	Bi-weekly
Prospective Required Reserves	Past two weeks	Bi-weekly
Prior Period Cash Reserves	Past two weeks	Bi-weekly
Specific Loss Provisions and Loss Experience	Past four months Current Period/Pr Period	Quarterly
Non-accrual Credits Outstanding	Quarter-end	Quarterly
Restructured Credits Outstanding	Quarter-end	Quarterly
Reclassification to Performing Status & Write-offs	Quarter	Quarterly
Components of Capital	Quarter-end	Quarterly
Assets & OBS Exposures & Capital Ratios	Quarter-end	Quarterly
Insider Credits	Qtr-end/Pr Yr Qtr-end	Quarterly
Commercial & Personal Lending	Month	Monthly
Weekly Loans Outstanding	Week-end	Weekly
Monthly Loans Outstanding	Month-end	Monthly
Number & Value of Loan Accts	Quarter-end	Quarterly
Security Pledged on Loans	Quarter-end	Quarterly
Lending Rates	Qtr-end/Period-end	Quarterly
Deposit Ownership & Turnover	Month-end	Quarterly
Deposits by Account Size	Quarter-end	Quarterly
Deposits by Interest Rate	Prior five weeks	Weekly
Structure of Lending & Int Rates	Quarter-end	Quarterly
Unclaimed Funds	Year-end	Annually
Unclaimed Funds - supplement	Year-end	Annually

The overall purpose of these reports is to provide data for evaluating the financial condition and performance of individual banks as well as to assess trends in the industry as a whole.

III. THE SUPERVISORY APPROACH AS A MANAGEMENT TOOL

The supervisory approach of "ongoing" supervision includes the integration of both off-site and on-site supervisory methodologies. The primary purpose of off-site supervisory activities will be to monitor the performance and condition of each institution through the review of regulatory reports. The primary purpose of on-site examinations will be to verify the accuracy of the information submitted in the regulatory reports and assess the ability of management to develop and maintain appropriate policies, procedures, and risk controls within the institution.

BSD had already developed an off-site surveillance plan which incorporated a limited "CAMEL" rating process. The examination manual recently drafted also provided for the development of the bank's risk profile, however this was as the initial step in performing an on-site examination. To provide a more integrated supervisory approach, the "CAMEL' rating process was broadened (to conform to international standards) and the development of the bank's risk profile was merged into the bank's supervisory profile.

A. Developing the Bank's Risk Profile

In order to determine the scope and nature of supervisory activities to be performed for each bank, a ***risk profile*** of that institution will be developed. This profile provides information regarding the overall size and scope of activities, ownership, management, and the current condition and financial performance of the institution, as well as the level of risk(s) within the institution.

B. Assigning Bank Ratings

In order to facilitate the supervisory process, each bank will be assigned a numerical rating to reflect its risk profile. The five components used are:

Capital adequacy
Asset quality
Management
Earnings
Liquidity

Each of these components is rated and based upon the component ratings, the bank is given an overall composite rating referred to as the *CAMEL* rating. Numbers "1" through "5" are assigned to each component indicating relative rating, with number "1" being the highest, or best rating that can be assigned, and "5" being the lowest, or worst rating that can be assigned.

C. Selecting CAMEL Rating Components

Capital adequacy is a key component of the CAMEL rating as capital provides the cushion to absorb losses. Capital adequacy is accordingly a key determinant of the financial condition of a bank.

Asset quality is also a key component as the level of risk in the asset portfolios is an indicator of the quality of earnings as well as potential future losses.

Management is a critical component since the quality of management, to a large extent, determines the adequacy of policies, procedures, and controls to manage risk and thereby avert future losses.

Earnings is a key component since the level and quality of earnings foretell the ability to pay dividends to stockholders and maintain an adequate capital base.

Finally, liquidity is critical, since the bank's liquidity position indicates its ability to meet anticipated and unanticipated needs for funding. Any real or perceived liquidity shortfall can severely damage public confidence in the bank and lead to significant deposit withdrawals.

D. Assigning Numerical Ratings

For each camel component, the same definition is generally applied to the ***numerical ratings*** which can be applied:

1. Excellent/Strong - reflects a very high level of performance with no existing or potential weaknesses indicated.

2. Good - reflects a high level of performance which generally can be sustained in a stable environment. Only minor deficiencies or weaknesses are noted.

3. Marginal - reflects performance which can be seriously impacted in an unstable environment.

4. Poor - Performance potentially threatens the overall solvency of the bank.

5. Unsatisfactory - Performance which threatens the overall solvency of the bank

A composite rating of "1" indicates that the bank is fundamentally sound. The bank is considered stable and well managed, and so is expected to withstand business fluctuations; in the event that minor weaknesses have been detected, the bank is aware and making appropriate adjustments in the normal course of business.

A composite rating of "2" generally has the same definition as a "1" except that the weaknesses noted in a "2" rated institution are more pronounced than that found in a "1" rated institution.

A composite rating of "3" generally indicates that the bank is nominally resistant to adverse business conditions, but could deteriorate if action is not effective in correcting the areas of weakness. Overall financial strength, however, makes failure a remote possibility.

A composite rating of "4" generally indicates a serious problem bank that requires close supervision and specific remedial action. If immediate management attention is not given to weaknesses and deficiencies noted, the overall solvency of the institution is threatened.

A composite rating of "5" generally indicates a bank "close to" or actually insolvent, with supervisory consideration given to possible compulsory liquidation or re-organization.

E. Developing the Supervisory Profile

Once a bank's risk profile has been identified, a ***supervisory profile*** can be completed. This profile will include the bank' risk profile as well as the ***supervisory strategy*** which BSD will use to supervise the institution. The supervisory strategy refers to the frequency and scope of on-site examinations and the focus of off-site reviews. For example, on-site examinations of a "4" or "5" rated bank will generally require much greater depth, possibly audit procedures or actual verification of assets,

It also provides for the addition of comments noting the results of any off-site reviews and other activities which have occurred since the bank's risk profile was last updated. If an off-site review indicates significant changes in the bank's risk profile, the supervisory strategy will be reviewed to assess the need for any changes.

A Supervisory Profile format is shown on the next page, with further detail regarding information to be presented.

SUPERVISORY PROFILE

Bank Name: Camel Rating:
Address:
Date of Last Entry: Reason:

BACKGROUND
(describe bank history, ownership, geographic locations, size and scope of activities and bank's proposed strategy)

In this section information would be provided regarding the date the bank was chartered, intended scope of activities, composition of ownership, and management. Significant events (e.g., branch openings, expansion of activities, changes in senior management or principal shareholders) would be outlined.

Further information would be provided regarding current management structure, ownership, scope of activities, and relative position in the marketplace.

Finally, available information regarding the bank's future strategy would be detailed.

CONDITION OF THE BANK
(describe the condition of the bank relative to capital adequacy, asset quality, management, earnings, and liquidity and provide reasons for present rating in each camel rating)

In this section information would be provided regarding the condition of the bank disclosed during the last on-site examination. It would also include summary conclusions of any off-site reviews performed since that examination, particularly any significant changes (positive or negative) noted in the condition of the bank.

SUPERVISORY STRATEGY
(outline planned supervisory activities for the next twelve months)

In this section, the writer would discuss any specific actions which BSD has requested the bank to accomplish to address regulatory concerns. Supervisory activities planned for the next twelve months to focus on areas of greatest risk would be outlined. The proposed scope of on-site examinations would be described, including approximate start date, time frame to accomplish, and resource requirements. Specific areas of concern which should be addressed in off-site reviews would also be noted.

OTHER SIGNIFICANT EVENTS
(detail any other significant events which have occurred since the supervisory profile was last updated)

This area is provided to note activities which have occurred, which are significant, but would not justify completely updating the supervisory profile. For example, branch openings, information regarding changes in management or scope of activities, or significant newspaper articles would be noted here as they occur.

IV. OFF-SITE AND ON-SITE SUPERVISORY METHODOLOGIES DEVELOPED

The following off-site and on-site methodologies were developed to support the supervisory approach

A. Off-Site Analyses

The ***quarterly*** off-site analysis will, in general, be the most meaningful. Since banks are only required to report their profit and loss on a quarterly basis, that is the only time when a full assessment of financial performance can be made. However, analyses will also be performed on a weekly, bi-weekly, and monthly basis. These include both individual bank and industry trend analyses.

Weekly Analyses will monitor loan growth and interest rates (primarily used for reporting purposes and industry trend analysis).

Bi-weekly analyses will monitor individual bank liquidity positions relative to reserve requirements. These analyses are also used to determine whether penalties should be assessed if banks do not meet reserve requirements.

Monthly analyses will monitor trend & composition of the banks' balance sheet, off-balance sheet exposures and volume of new loan activity.

The **quarterly bank performance analysis (QBPA)** will be to provide a periodic quantitative analysis of the bank's performance. This information will then used to determine whether the bank's supervisory profile should be revised. In this way the bank's supervisory profile is maintained on an ongoing basis.

The QBPA will be performed through the use of lotus 3.1 spreadsheets. These spreadsheets are used to capture and manipulate the data for analytical purposes. The two primary reports used in the quarterly analysis will be the Consolidated Statement of Assets and Liabilities (balance sheet) and the interim Profit and Loss Statement (income statement). In addition, selected data will be taken from several other reports.

The report generated from the QBPA is called the ***quarterly bank performance report (QBPR)***. This report will consist of an overall summary of bank performance during the quarter as well as the following detailed worksheets:

The ***Balance Sheet Analysis (BSA)*** will reflect trends and changes in the composition of balance sheet of individual banks/all banks over a period of time.

The ***Income and Expense (IEA) Analysis*** will detail all components of the Profit & Loss Statement submitted by the bank over various periods of time, and also includes the following:

The ***Average Balances and Rates (ABR) Analysis*** will be used for monitoring balance sheet trends resulting from local economic conditions or asset/liability management strategies. It links net interest income in the income statement with the earning assets in the balance sheet, thereby deriving yields on earning assets and interest costs on the related funding sources. Such yields and costs are then compared with the corresponding market rates, which is a useful check on the data.

The ABR worksheet will place the focus on earning assets, as already indicated, but residually must also take into account so-called non-interest bearing or non-earning assets. This will be achieved by applying capital as a funding source, when earning assets exceed deposits; any remaining capital for purposes of the ABR will be allocated to non-interest earning assets like bank premises. Off-balance sheet items in "contra" accounts will be excluded from this analysis, since risk assessment for the underlying exposures are best addressed during an on-site exam.

B. On-Site Examinations

The ultimate aim of BSD's supervisory approach will be to foster "self-supervision" within the financial institutions which it supervises. This will require that management of these financial institutions develops and implements appropriate risk management processes to ensure financial solvency and achieve a high level of compliance with laws and regulations.

While off-site reviews can provide "quantitative" analyses of financial performance, only on-site examinations provide a vehicle to perform a "qualitative" appraisal of risk management processes.

The examination will complement and, to some extent, rely on the adequacy of the work performed by external and internal auditors. External auditors are engaged by management to form an opinion on whether the accounting and other records are adequate and the financial statements present fairly the financial condition of the institution. Internal auditors, on the other hand, are responsible for evaluating the effectiveness of internal controls and management information systems.

The examination will concern itself with appraisal of risk management processes, while auditing concerns itself with verification. The extent to which audit procedures will be used during an examination will vary from bank to bank depending on the scope and effectiveness of each bank's audit process, internal controls, quality of staffing, and other relevant factors.

Risk management processes are those processes which management has developed and implemented to effectively supervise risks in various areas of banking activity. Risk Management Processes generally consist of four components:

Risk tolerance refers to the level of risk which bank management is willing to take to achieve its overall goals and strategies. The bank's risk tolerance is usually outlined in its policies and planning.

Risk identification is the process of identifying risk in individual transactions, portfolios, or activities.

Risk Supervision refers to the organization structure, and adequacy of staffing and internal controls to supervise risks on a day-to-day basis.

Risk Monitoring refers to the independent assessment of risk and risk controls, primarily through management information reports, internal/external audits, or other activities such as loan review.

The scope of an examination might require the examiner to appraise all components of risk management in all major areas of risk. This would be considered a comprehensive review of risk management processes.

The scope may focus on just one component of risk management (i.e., risk monitoring) which would be reviewed in all major areas of risk (this would be considered a horizontal review). If the scope dictated a review of all components of risk management but only in one area of risk, it would be considered a vertical review.

V. IMPLEMENTATION TO DATE

A. Development of Bank Supervisory Profiles

BSD is in the process of developing supervisory profiles for the banks. To date, the Background section of the supervisory profiles for each bank have been completed. The condition section can be completed as soon as the initial QBPAs are finalized (data received from banks to date is too unreliable to use as a basis). BSD is in the process of resolving major questions regarding data received from each bank to be able to perform the first round of QBPAs. The information from the QBPRs will then be used as the basis for comments regarding the condition of the bank.

The supervisory strategy section will then be developed based upon the conclusions of the QBPRs and information already available regarding the bank. Once the bank supervisory profiles are completed, they will be reviewed, at a minimum, after each on-site examination or QBPA, to determine if comments regarding the condition of the bank and proposed supervisory strategies should be revised. If other analyses or significant events occur (as disclosed in newspaper articles or based upon meetings with the bankers), these will also be noted in the supervisory profiles. Each time a supervisory profile is revised, the revision must be approved by the manager of BSD and then forwarded to the General Manager and Governor for final approval.

B. Development of BSD Supervisory Plan for 1994

A spreadsheet was created to provide input for the development of an overall supervisory plan for BSD for 1994. This spreadsheet reflects the following:

- All on-site examinations for each bank are planned by month with appropriate resource allocations applied.
- All off-site analyses for each bank are planned by month with appropriate resource allocations applied.
- All formalized training for BSD staff and appropriate time frames for completion and resource allocations.
- Estimated administrative time was applied for BSD staff: Manager's time was allocated 100% to administration, two others were shown at 30%, while the remainder were shown at 10%.

This plan reflects that with current staffing, a limited on-site examination of all banks and all off-site analyses can be conducted within 1994. This appears reasonable based upon the current number of licensed financial institutions. However, any significant increase in responsibilities of BSD or increase in number of licensed financial institutions could seriously jeopardize BSD's ability to carry out its supervisory responsibilities properly.

It must also be noted that the majority of the staff is new and requires considerable training. However, many of the new entrants already possess computer skills and have received higher degrees from universities abroad. This will allow a much faster time frame for full utilization of new entrants. In conversations with the Governor, he indicated that no personnel would be reassigned out of the department at least through the end of 1994 (it had been planned to reassign the senior examiner out of the department at mid-year).

C. Implementation of Off-site Methodologies

The initial lotus 3.1 spreadsheets have been developed to capture and manipulate the data for off-site analyses. As mentioned earlier, QBPAs have been performed for all banks, however, the data submitted is still considered too unreliable for actual analytical purposes as yet. Questionable data has been identified and banks have been notified to provide verification or correct data. As soon as this is received the first round of QBPRs can be finalized.

For the purposes of training, QBPRs were drafted for each bank based upon the information available. Several sessions of training were provided for interpreting data and developing comments for these analyses.

D. On-site Examination Using New Examination Procedures

An on-site examination was planned and conducted during this time frame. The decision as to which bank to examine was based upon the limited time frame of the project. It was recognized that all banks required an on-site examination to provide reliable data for supervisory purposes. However, the concern regarding the inability to complete the examination of a "problem" bank within the allotted time frame considerably outweighed any enhancement of existing supervisory activity within any of the "problem" banks.

In addition, examining a bank with relatively strong risk management processes would provide the examiners with the ability to see how these processes can work in an institution and to use as a role-model for other banks to emulate.

Once the bank was selected, meetings were head with the two senior examiners to determine the scope of the examination. Again, the scope of the examination, to a large extent, was based upon the ability to perform the on-site examination within the allotted time frame.

It was determined that the on-site examination should focus on credit risk. All aspects of risk management--risk tolerance, risk identification, risk supervision, and risk monitoring--would be evaluated. In addition, the preparation of regulatory reports in this area would be evaluated to determine overall reliability of data obtained from the bank. The scope of the examination included the following:

- A review of the bank's strategic plan for the lending area
- A review of the bank's current credit policy
- A review of the adequacy of the internal risk classification system
- A review of the organizational structure and internal control procedures
- A review of internal and external audits performed in the past year
- A sampling of (15) loans - the five largest lending relationships, and others based upon the types of loans being offered by the bank was performed to determine adequacy of credit files & internal risk classifications
- A review of all board meeting minutes and management information reports
- A review of procedures for preparing regulatory reports

Each day, briefing sessions were held with examiners to review work performed to date and answer questions or provide guidance. Particular emphasis was placed on the development of work papers as a basis for decision-making and report writing.

Actual on-site participation of the consultant during the examination was limited to attendance of the final exit review with senior management where the examination results were presented. This was done to provide exposure to the examiners regarding how final exit reviews should be conducted. It was also done because some sensitive issues had been raised during the examination that required consultant participation for resolution and understanding.

Classroom training sessions were provided to all BSD staff in understanding and evaluating risk management processes, evaluating the adequacy of internal risk classification process, and the methodology and adequacy of the Allowance for Credit Losses. This was in addition, to the hands-on training provided each day to the examiners actually participating in the examination.

After the examination was completed, the report was drafted. At the time of the conclusion of this project the report was still in draft stage. Each examiner was asked to write comments regarding the areas which they examined. In addition, a preliminary draft of the overall conclusions was developed by the consultant to be used as a guide in developing the detailed report comments. The following comments are offered relative to implementation of on-site methodologies:

- BSD personnel will still need to receive considerable training to effectively utilize the new on-site supervisory methodologies.

- The limited experience of BSD provides a narrow frame of reference against which to evaluate situations they find in banks.

- Further emphasis needs to be placed on the proper documentation of conclusions and recommendations through workpaper development.

- Better time-management techniques need to be employed, as it was noted that work basically stopped if certain information was not available or persons could not be reached. There are always difficulties in setting up meetings and obtaining necessary information and examiners need to be able to quickly move between a series of tasks to ensure that time frames can be met.

VI. FURTHER ACTION RECOMMENDED

A. Development of written procedures to supervise "problem" banks

Although there are only four licensed financial institutions in The Gambia today, several of these institutions have serious problems and BSD is having difficulty in effectively supervising these "problem" banks. This is, in part, due to the fact that BSD still lacks any processes designed specifically to supervise "problem" institutions. U.S. Banking regulators use several levels of administrative and enforcement actions to supervise "problem" institutions, ranging from Memoranda of Understanding (MOUs) to Cease and Desist (C&D) and Civil Money Penalties (CMPs). It is recommended that BSD develop and implement a process to supervise "problem" institutions.

B. Establishment of BSD Structure and Processes

The Supervisory Handbook has provided instructions in performing both off-site analyses and on-site examinations. However, what still remains to be done is to determine who will be responsible for accomplishing each of these specific tasks, time frames for completion, factors upon which the work will be evaluated for performance appraisals, and the actual work flow process.

BSD has developed a mission statement. The mission statement appears to adequately address the broad duties and responsibilities and goals of the department. An organizational chart has been drawn in which BSD is organized into three units: Bank Examination, Compliance, and Policy and Development.

- The Bank Examination unit is largely responsible for the periodic on-site examination of licenced financial institutions. These examinations are used to determine the adequacy of management, and the financial performance and condition of each institution.

- The Compliance unit is responsible for the licensing of banks and other financial institutions and ensuring compliance with existing legislation. This unit will perform off-site reviews of regulatory reports.

- The Policy and Development unit is responsible for the development and implementation of appropriate policies, regulations and guidelines relating to the operations of licensed financial institutions.

Job descriptions have been written for positions within these units. In November of 1993, a training needs assessment was performed. However, this is very much out-of-date as most of the positions were unfilled at the time or personnel assessed have left the department.

The present BSD structure would require differentiation in personnel from those performing on-site examinations and those performing off-site analyses. It is recommended that responsibility for off-site analyses be merged into the Bank Examination Unit, which would use the same personnel to perform both on-site and off-site supervisory activities. This would provide a much more consistent approach and require less specialized training, as all personnel would receive the same type of training on an incremental basis.

Providing a separate Policy and Development unit would appear appropriate if significant growth in BSD activities and personnel is envisioned. However, based upon the current staffing and level of licensing activity, the activities of this unit do not appear to justify such a separation. The remaining focus of the Compliance Unit (legal compliance, licensing) could be blended into the Policy and

Development unit, as much of policy and development either relates to existing laws and regulations or results in revisions to laws and regulations.

This would result in having two basic units which could be identified as Bank Examination (including both on-site and off-site supervisory activities) and Compliance and Licensing (recognizing that research and development would also be an additional function of this area).

If this approach is adopted, than teams of personnel within the Bank Examination unit can be identified as having responsibility for the supervision of the various licensed financial institutions. These teams could consist of a senior examiner, a mid-level examiner, and a junior examiner. Duties and responsibilities of each person on the team would relate to their training and development. This type of structure would also, hopefully, provide continuity in supervision as personnel leave BSD.

In developing such a team structure, consideration should also be given to assigning the largest or most difficult banks, i.e., those with the most significant problems or most sophisticated activities, relative to the expertise and training of the staff.

The logic of this type of structuring (merging off-site and on-site and use of teams) is further reinforced by the fact that persons performing off-site analyses need to have a full understanding of the bank being analyzed to provide the most appropriate conclusions. Likewise, persons involved in on-site examinations who have also performed off-site analyses of the same bank, will have a much greater frame of reference upon which to develop their examination conclusions. And training can be developed in a more consistent manner.

BSD presently does not have budgetary authorization to subscribe to financial periodicals. It is recommended that BSD be allocated funds to subscribe to the major financial periodicals within the country to remain informed of activities of banks which they supervise and current and proposed changes in banking activities.

It is also recommended that a new filing system be established to maintain the new regulatory reports and off-site and on-site reports of supervisory activities. The existing filing system does not correlate to the proposed changes in supervisory activities.

C. Implementation of the Handbook for Banking Supervision

As mentioned earlier, part of the consultant's responsibility was to review the newly drafted examination manual. After the on-site examination using the new manual, the consultant would make appropriate revisions and provide a draft of these to BSD for review and implementation.

Since the examination manual was still in the process of being drafted at the beginning of the project, BSD staff had not had an opportunity to review and absorb the information. In addition, the manual was still in a very "rough" stage of development with considerable refinement required. For example, much of the information was written in a theoretical style and did not provide any guidance in actually performing the tasks required. Portions of the handbook had been taken from other regulatory manuals and did not relate to the actual banking conditions in the Gambia.

Therefore, it was decided to develop an entirely new handbook to incorporate the new off-site and on-site supervisory activities. The name was changed from the "examination manual" to "handbook for banking supervision" to reflect the concept of ongoing supervision and the integration of off-site and on-site activities. To the extent possible, after each section of the manual was drafted it was reviewed with BSD staff to ensure that it was well-understood.

A preliminary draft of the handbook was left at the conclusion of the project and final draft is being provided in addition to this report. BSD should review the handbook draft, finalize it, and adopt it for general usage.

D. Report of Examination

In the Price Waterhouse report, it was recommended that BSD adopt a standardized report format based on a model included in the report. This report format was incorporated into the proposed examination manual. However, the proposed examination manual recommended that the report would be used for internal purposes while the bank would receive a letter summarizing the examination conclusions. This was allegedly based upon a concern for the appropriateness and accuracy of comments made in prior examination reports.

The report format required the examiners to develop a considerable amount of financial data, which in fact, was already being submitting to the Central Bank. It also was based on the fact that every on-site examination would be a "comprehensive" examination it which all bank activities were examined.

The report format was similar to that which was historically used by bank regulators in the U.S. In recent years the concept of the examination report has been radically revised by banking regulators in the U.S. First of all, the name of the report was changed from the "report of examination" to the "report of supervisory activity" (ROSA) to reflect the concept of ongoing supervision. In most instances, detailed financial data which was already being submitted in regulatory reports, was no longer required in the report. And while format pages were designed for all areas of examination, the examiner was given the flexibility to only use those pages which corresponded to the extent of supervisory activities actually conducted.

It is recommended that a similar approach be adopted here. Pages reflecting detailed financial data already provided to the Central Bank should be deleted. The examiner should have the flexibility to only use those pages which correlate to the scope of the examination. This should greatly reduce the preparation time for the report.

Finally, it is recommended that the entire report be provided to the bank. Since the report would only consist of pages which support and document the overall examination conclusions and recommendations, these pages should be provided to the bank so that bank management will have a clear understanding of how these conclusions and recommendations were developed and have detailed information to use in implementing corrective actions. Examiners should be trained to ensure that statements in the reports are objective, appropriate, and factually correct.

E. Revisions of Bank Guidelines, Instructions, and Reporting Forms

As indicated previously, BSD has developed many new regulatory reports which banks are required to file. These reports were designed to be consistent with previous reports and instructions. However, the structure and design of many of these reports is confusing and inconsistent, increasing the likelihood of inaccuracy or delay on the part of the banks in filing these. Due to confusion on the part of the banks, the banks have provided their own formats in providing information, rather than using the formats provided by the Central Bank.

In addition, since some of this data was being requested on a first-time basis, the reports were designed to provide current as well as ***prior period*** information. Going forward, this information will be in the data bases, and it would greatly lighten the reporting requirements if historical information was eliminated from these reports.

Banks should be required to strictly follow the report format. Otherwise, BSD staff has to evaluate the adequacy of data provided and determine how to utilize the data. Also, consideration should be given to providing banks with computer diskettes on which the reports are created allowing the banks to simply input the information to the diskettes and submit the diskettes. Discussions with BSD staff indicated that most banks had the necessary computer software (lotus 3.1) to take advantage of this convenience. This could result in more timely and accurate submissions, and also simplify the input requirements at BSD since the information could be transferred through spreadsheet commands into BSD's databases instead of requiring manual input.

In conjunction with final revisions to the regulatory reports, it is recommended that training be provided to appropriate bank personnel in filing these reports. A training session could be provided at the Central Bank or perhaps, sponsored through the auspices of the newly developed Bankers Association. Again, this should result in more timely and accurate submissions.

F. Additional training recommendations

Considerable training is required since the majority of the staff is relatively new and supervisory procedures have been redesigned. However, as noted previously, the quality of new entrants is very good, with most having basic computer spreadsheet skills and higher degrees from universities abroad.

Since there is new training presently available in house, all staff must be sent out of the country to receive any training. Due to the cost and time requirements, this has been rather limited. Also, courses provided by regulatory authorities in other countries may not be relevant to banking supervision in The Gambia. For example, in reviewing the 1994 U.S. Federal Reserve System Training Program catalog, it was noted that most of the courses available were related to very specialized banking activities, accounting rules, or compliance issues in the U.S., which are not presently relevant to The Gambia. There were two courses which would be appropriate, but these are in the form of seminars and are of one or two day duration.

Therefore, it is recommended that consideration be given to utilizing the services of an experienced consultant to develop training courses based on the newly developed handbook for banking supervision. After the courses have been designed, the consultant should train selected existing BSD staff to provide similar training to other staff members in the future.

Also training should be provided to BSD management and staff in workplace functions, leadership, goal-setting, decision-making and time management.

SCOPE OF WORK

I. BACKGROUND

A. The Financial Sector Restructuring (FSR) Program

The FSR is a three-year $6.8 million bilateral economic development program which combines $5 million in non-project assistance with $1.8 million in project assistance. The objective of the FSR is to improve the efficiency of financial intermediation in promoting savings and investment and in allocating savings to their most productive uses.

Non-project assistance (NPA) under FSR will be disbursed over the three-year life of the program in three tranches upon satisfactory fulfillment of conditions precedent outlined in the bilateral program agreement. The NPA component is complemented by a support project to provide technical assistance, training, and other support as needed to ensure effective implementation of the proposed reform program. Under FSR, USAID is providing assistance to the CBG, to the Assets Management Recovery Corporation (AMRC), and to the Ministry of Justice for improving debt collection procedures.

Among the primary outputs of the NPA component of this project will be the elimination of credit controls, the privatization of the Gambia Commercial and Development Bank (GCDB), the improvement of bank supervision, the improvement of debt collection procedures, and increases in the availability of rural credit and term loans.

A condition precedent for the release of the second tranche requires written evidence that the Government of The Gambia (GOTG) has reviewed the studies and recommendations carried out for the first tranche, developed an action plan, and begun implementation of the appropriate recommendations. One of the main studies funded under this project was the review of the BSD of the CBG and the preparation of an in-depth Action Plan for the BSD to follow.

B. Central Bank and the Banking Supervision Department

The CBG was established in 1971 to assume the functions of The Gambia Currency Board and to act as banker to the GOTG. It is responsible for defining and implementing national monetary and credit policies and for regulating commercial banks, which currently number four.

The main function of the Banking Supervision Department (BSD) is to ensure the safety and soundness of the financial system as a whole. A major focus of a bank supervision activity is the prudential concern for the solvency and liquidity of the financial system. On-site and off-site examination programs should be directed toward an evaluation of solvency, liquidity and compliance on the part of the institutions supervised.

Historically, bank supervision by the CBG has been inadequate. The lack of established regulatory regime coupled with insufficiently trained examiners resulted in minimally effective supervision of the financial sector.

Recognizing the need for improvement in bank supervision and regulation, the International Monetary Fund (IMF) reviewed financial sector legislation and submitted comprehensive revisions of the Central Bank Act and the Financial Institutions Act. In December 1992 Parliament passed these Acts which substantially broadened the supervisory role and powers of the CBG.

In November 1992 USAID funded a team of consultants from Price Waterhouse to perform an in-depth evaluation of the BSD. The consultants reviewed the progress made by BSD in developing implementing its restructuring plan. The consultants produced an action plan for the BSD on staffing and training requirements, examination procedures, and regulations required as a result of the revised acts. This action plan prioritized various phases of the implementation plan to be followed by BSD management. The four-phase action plan addressed the mission and organization structure, human resources and training requirements, regulatory framework, and on-site/off-site examination methodologies.

The Price Waterhouse report recommended that a complete on-site examination utilizing the new regulations and new procedures described in the Examination manual should be conducted with the assistance of an experienced on-site examination consultant with the results being documented by a new Examination Report. The use of an experienced consultant would not only improve the quality of the examination findings, but also provide a training vehicle for Department staff.

Additional USAID assistance to the CBG included the funding of a computer consultant who training the Banking Supervision, Foreign, and Banking Services Departments in basic computer literacy, word-processing, data-base, and spreadsheet techniques. Computers and software were purchased for the Banking Supervision and Economic Research Departments. Two employees from CBG were sent on long term training, one received a bachelors degree in Accounting and Economics and a second received an advanced degree in Economics. The Manager of the BSD has received advanced banking supervision training in the U.S.

II. SCOPE OF WORK

One person with expertise in banking supervision, regulations, examinations, and training is requested to assist the BSD in preparing for, and performing the initial off-site and on-site examinations using the newly revised BSD Examination Manual and the new guidelines, instructions, and reporting forms. The consultant will work closely with the Manager of BSD and assist and train staff as needed. The training should be for the whole department as well as individual training. The draft of the Examination manual will be reviewed and revised based on findings during the examination process.

III. TASKS

1. Review the Price Waterhouse report titled "Central Bank of the Gambia Action Plan".

2. Review the following documents:

    a. BSD Bank Guidelines, Instructions, and Reporting Forms
    b. BSD Draft Examination Manual
    c. The Financial Institutions and the Central Bank Acts 1992

3. Meet with BSD manager and review the off-site examination plan. Advise as necessary on the processing of the returns from the four Gambian banks and the summarizing of the data on the examinations forms. Train and advise staff throughout the processing procedure.

4. From the results of the off-site exam, make recommendations to BSD on specific areas to review closely during the on-site exam. Review the on-site examination plan and revise as needed.

5. In preparation for the first on-site examination, prepare training sessions as needed for the BSD on how to carry out an on-site examination.

6. The consultant will not be performing the on-site examination nor accompany the team to the examination, but should keep in close contact with the team and assist as needed. Perform an on-going critique of procedures.

7. Upon completion of the exam, meet with the manager and staff for a debriefing and make recommendations for improvement in procedures.

8. Advise BSD manager of further training recommended.

9. Revise the draft of the Examination Manual. Based on the results of the examination, revise the draft as appropriate to improve the procedures followed.

IV. DELIVERABLES

1. A critique of the on-site examination
2. A revised BSD Examination Manual
3. A brief summary of recommended training

V. PERSONNEL

This effort will require an expert in bank supervision, regulation, examinations, and training. The Specialist must possess an advanced degree in economics, finance, business administration, law or other related fields. He/She must have several years of direct experience in bank supervision and regulations preferably in a West African or Commonwealth setting. The contractor will be asked to submit CV's and other supporting documents for approval by the USAID/Banjul Project Manager prior to the mobilization of the consultant.

The total level of effort for this activity is 54 working days, including 10 days off-site to review documents, 4 days travel time, and 40 days in The Gambia. The work week is six days.